

**Moretele Local Municipality
Annual Report
Draft
2018/2019**



Version
Control
Version
June 2019

Enquiries
Strategic Services
IDP/PMS Unit
Tel: 012 716 1321/1428
www.moretele.gov.za

We invite your comments. Email:
nyakale.lale@moretele.gov.za

Contents

1	CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY	9
1.1	Mayor's Foreword.....	9
1.2	Municipal Manager's Executive Summary	11
1.3	Overview Of Municipality.....	13
1.3.1	Vision and Mission.....	13
1.3.2	Municipal functions, population and geographical overview	14
1.3.3	Key economic activities.....	22
1.3.4	National key performance indicators - Municipal Financial Viability and Management (Ratios).....	22
1.3.5	Organisational Development Overview	23
1.3.6	Auditor General Reports	23
1.3.7	2018/2019 IDP/Budget Process	24
2	CHAPTER 2: GOVERNANCE.....	25
2.1	Political governance structure	25
2.1.1	Council	25
2.1.2	Executive Committee	25
2.1.3	Portfolio Committees	26
2.2	Administrative governance structure	26
2.3	Intergovernmental Relations.....	28
2.3.1	District Intergovernmental Structures	28
2.3.2	Provincial Intergovernmental Structures	28
2.4	Public accountability and participation	28
2.4.1	Public Meetings	29
2.5	Corporate Governance.....	32
2.5.1	Risk management	32
2.5.2	Fraud and Anti-corruption.....	33
2.5.3	Supply chain management.....	34
2.5.4	By-Laws	39
2.5.5	Municipal Website	39
2.5.6	Communication	40
2.5.7	Public Satisfaction on Municipal Services	41
2.5.8	Oversight Committees and Structure	41
2.5.8.1	Municipal Public Accounts Committee.....	41
3	CHAPTER 3: SERVICE DELIVERY PERFORMANCE	42
3.1	Overview Of Performance Within The Organisation	42
3.1.1	Legislative requirements	42
3.1.2	Organisational performance.....	43

3.1.3	The performance management system followed for 2018/2019	43
3.1.4	Performance Management.....	45
3.2	Introduction To Strategic And Municipal Performance For 2018/2019.....	46
3.2.1	Strategic Service Delivery and Budget Implementation Plan (Top Layer)	46
3.2.2	Service Providers Strategic Performance.....	79
3.3	Component A: Infrastructure Development: Basic Services	80
3.3.1	Water Provision	80
3.3.2	Waste Management (Refuse collection, waste disposal, street cleaning and recycling)	84
3.3.3	Housing	85
3.4	Component B: Roads And Stormwater	86
3.5	Component C: Community Development.....	88
3.6	Component D: Local Economic Development.....	95
4	CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE.....	98
4.1	National Key Performance Indicators	98
4.2	Component A: Introduction To The Municipal Workforce.....	99
4.2.1	Employment Equity	99
4.2.2	Vacancy Rate	101
4.2.3	Turnover rate.....	102
4.3	Component B: Managing The Municipal Workforce Levels.....	102
4.3.1	Injuries	102
4.3.2	Sick Leave.....	103
4.3.3	Policies and plans reviewed and approved.....	103
4.4	Component C: Capacitating The Municipal Workforce.....	105
4.4.1	Skills matrix	105
4.4.2	Skills Development - Training provided.....	105
4.4.3	Skills Development - Budget Allocation	107
4.4.4	MFMA Competencies (Minimum Competency Requirements).....	107
4.4.5	Skills Development - Budget Allocation	108
4.4.6	Personnel Expenditure	108
4.5	Component A: Statement Of Financial Performance	111
4.5.1	Revenue collection by Vote	119
4.5.2	Revenue collection by Source.....	121
4.5.3	Financial Performance of Operational Service	125
4.6	Financial Performance Per Municipal Function	129
4.6.1	Storm water and Roads	129
4.6.2	Project Management Unit	130
4.6.3	Electricity.....	132

4.6.4	Housing	133
4.6.5	Water	134
4.6.6	Technical Services (Admin).....	136
4.6.7	Local Economic Development	137
4.6.8	Community Development	139
4.6.9	Grants	150
4.6.10	Employee costs.....	152
4.7	Component B: Spending Against Capital Budget	153
4.7.1	Analysis of Capital and Operating Expenditure.....	153
4.7.2	Sources of Finance.....	158
4.7.3	Employee costs.....	161
4.7.4	Capital Spending on Five Largest Projects	162
4.7.5	Basic Service and Infrastructure Backlogs - Overview	163
4.8	Component C: Cash Flow Management And Investment.....	166
4.8.1	Cash Flow	166
4.8.2	Borrowing and Investments.....	170
4.8.3	2018/2019 Rates Assessment.....	170
4.9	Component D: Other Financial Matters.....	171
4.9.1	GRAP Compliance	171
4.9.2	Supply Chain Management Compliance	171
4.10	AUDITOR'S REPORT	173
4.11	MUNICIPALITY'S ANNUAL FINANCIAL STATEMENTS 2018/2019	189
	Appendix A: Councillors, Committee Allocation and Council Attendance	191
	Appendix B: Committee and committee purposes	196
	APPENDIX C: THIRD TIER ADMINISTRATIVE STRUCTURE	199
	Appendix D: Functions of the municipality	201
	Appendix E: Ward Reporting.....	203
	Appendix F: Ward Committees and their functionality	220
	APPENDIX G: AUDIT COMMITTEE REPORT	222
	Appendix H:.....	227
	2018/2019 Annual Financial Statements.....	227

Terms, acronyms and abbreviations

Term, Acronym or Abbreviation	Description
AC	Audit Committee
BTO	Budget and Treasury Office
CDS	Community Development Services
COGTA	Department of Co-operative Governance and Traditional Affairs
CPI	Consumer Price Index
DPME	Department: Monitoring and Evaluation
DORA	Division of Revenue Act
DPLG	Department of Provincial and Local Government
DTI	Department of Trade and Industry
EEP	Employment Equity Plan
EIA	Environmental Impact Assessment
GDP	Gross Domestic Product
GIS	Geographic information system
HH	Households
HIV/AIDS	Human Immunodeficiency Virus Infection/Acquired Immunodeficiency Syndrome
HR	Human Resources
ICT	Information and Communication Technology
IDP	Integrated Development Plan
IDS	Infrastructure Development Services
IT	Information Technology
KPI	Key performance Indicator
LAN	Local Area Network
LED	Local Economic Development
MFMA	Local Government: Municipal Finance Management Act 56 of 2003
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MPRA	Local Government: Municipal Property Rates Act 6 of 2004
MSA	Local Government: Municipal Systems Act 32 of 2000
MTEF	Medium- term Expenditure Framework
NDP	National Development Plan
NGO	Non-government Organisation
PIP	Performance Improvement Plan
PMS	Performance Management System
PMU	Project Management Unit

PR	Proportional Representation
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
SEDA	Small Enterprise Development Agency
SETA	Sectoral Education Training Authority
SLA	Service Level Agreement
SMMEs:	Small, Micro and Medium Enterprises
WAN	Wireless Area Network
WSP	Workplace Skills Plan

PART I

NON-FINANCIAL REPORTING

Chapter 1: Mayor's Foreword and Executive Summary

1.1 MAYOR'S FOREWORD

Moretele Local Municipality has in the past financial year worked tirelessly in the best interest of the community of Moretele, maintained and promoted the basic values and principles of public administration in such a way that the credibility and integrity of the municipality were not compromised. The integrated development plan (IDP) was developed in line with the North West Province's Provincial Development Plan and guidelines for local government aligned to the National Development Plan. Plans were developed with greater urgency and commitment. Leadership was crucial to mobilize society and build a common platform.

Furthermore, we have ensured that an environment was created, support provided, and systems built to accelerate quality service delivery within the context of conditions and needs in our area of jurisdiction. To ensure that strategic objectives as stipulated in the IDP were achieved, the core administrative and institutional systems were put in place and are operational to improve performance.

Moretele Local Municipality has demonstrated its commitment to building a clean, responsive and accountable municipality, ensuring that systems, structures and procedures are developed and enforced to deal with corruption, maladministration and to ensure that we communicate and account more to our community.

We have recorded remarkable improvements in key areas such as water provision, sanitation, electricity supply, and other basic services. We take note of the audit outcome and commit that action will be taken in all substantial instances of non-compliance with the legislation, fruitless and wasteful expenditure as well as irregular and unauthorized expenditure. The key objective remains to obtain a clean audit in the next two years.

We have used different methods in ensuring that public participation is improved. This method includes the community meetings which councilors must convene on a regular basis. I must put it on record that all councilors managed to convene these meetings successfully.

I must recognize and applaud all those councilors who went the extra mile during the financial year. We were also successful in convening mayoral outreaches throughout the municipality. The municipality has been improving in its implementation of the strategic objectives as stipulated in the Integrated Development Plan. All members of council and stakeholders are discharging their responsibilities with diligence.

For Moretele Local Municipality to successfully fulfil its constitutional mandate of serving the community of Moretele, it is critical that we move in unison with our stakeholders. To

improve public participation and accountability, where are strengthening partnerships with our communities and other development partners.

We strive to see ourselves as the best municipality where all communities enjoy the quality of life.

Cllr MA Monaheng
Mayor

1.2 MUNICIPAL MANAGER'S EXECUTIVE SUMMARY

The end of a financial year is perhaps the most fulfilling time for any accounting officer within the local government sphere. It is an opportune time for thorough considerations and reflections on the year that was; reflections on how to further strengthen the capacity of the financial systems that exist within the municipality to ensure effective delivery of basic services, celebrating the milestones registered and using the lessons emanating from the financial year to plan the next one.

Moretele Local Municipality is primarily driven by the objects of local government as enshrined in the Constitution. The objectives are—

- (a) to provide democratic and accountable government for local communities;
- (b) to ensure the provision of services to communities in a sustainable manner;
- (c) to promote social and economic development;
- (d) to promote a safe and healthy environment; and
- (e) to encourage the involvement of communities and community organizations in the matters of local government.

Moretele Local Municipality's strategic priorities are aligned with those of the Bojanala District Municipality, being municipal transformation and institutional development, local economic development, basic service delivery and infrastructure investment, financial viability and financial management as well as good governance and community participation.

The fact that the municipality has, for three consecutive years, received a qualified audit opinion by the Auditor General is indicative of the commitment and seriousness of the administration in strengthening its capacity and maximizing efficiency within the municipality (the opinion has not regressed despite migrating to MSCOA). Ours remain a difficult task of meeting the ever-increasing demand for basic services while, inter alia, ensuring strict compliance with legislation. The Municipality has managed to endure the stormy waters by employing the limited resources at our disposal to their maximum effect. It is by no means an easy task, but the administration's continued commitment makes all the difference.

In terms of the financial systems, the municipality has tasked itself with the necessary exercise of being mSCOA compliant. It has not been an easy task, but the progress thus far is satisfactory. It is through the innovative solutions applied by the Budget and Treasury Office that the institution can function without any major disruptions. During the reporting period the municipalities was able to report in the stipulated National Treasury templates timely on a monthly basis and quarterly basis. Added to this much support was received from sister departments in ensuring timely reporting.

Furthermore, our efforts at reducing the backlog on sanitation and the provision of sustainable basic services yielded positive results as the institution achieved a 98% MIG spending at year end. This is inclusive of the R28-million additional MIG funding allocated to the municipality. In the reporting period, the municipality paid off its DBSA loan which was utilized for capital projects acceleration. The revenue of the municipality continued to

be under strain due to the low capacity type of the municipality. The indigent population continued to be subsidized for basic services by grants.

The 2018/2019 financial year also saw a few contracts of Section 56 managers coming to an end and the unfolding of a recruitment process for new personnel. Notably, we bid farewell to the Chief Financial Officer and the Director of Infrastructure Development Services just before the December recess. We are eternally grateful for the contributions that they have made to the success of the municipality in their roles and further wish them nothing short of the best in their future endeavours.

The municipality identified strategic risks which were monitored on quarterly basis. The top five risks are:

- Optimal organisational performance might not be reached,
- The municipality may not succeed in enhancing local economic development and job creation,
- Lack of proper system to manage stakeholder relations,
- The municipality may not be able to provide healthy and safe environment for its communities and
- Ineffectiveness of control environment, risk management and governance processes.

In all aspects, proper control measures were put in place to mitigate the identified risks.

A special vote of thanks to the managers who assisted in the compilation of this report and the Annual Financial Statements. Your efforts and commitment do not go unnoticed or unappreciated.

I extend my sincere appreciation to the Council, Executive Committee and the Hon Mayor, the Audit Committee, management and indeed all our officials for their dedication and contribution to delivering services to our communities.

B.T. Makwela (Mr.)
Acting Municipal Manager

1.3 OVERVIEW OF MUNICIPALITY

1.3.1 Vision and Mission



1.3.2 Municipal functions, population and geographical overview

Functions of the municipality

Municipal Function	Municipal Function Yes/No	Performance Analysis
Constitution Schedule 4, Part B functions		
Air Pollution	Yes	Not performed
Building Regulation	Yes	Not adequately performed
Child Care Facilities	Yes	Not performed
Electricity	No	DME / Eskom
Fire Fighting	No	Performed as part of the District function
Local Tourism	Yes	Performed though not optimally
Municipal Airport	Yes	Not performed.
Municipal Planning	Yes	Performed. IDP and other planning processes
Municipal Health Services	No	Performed as part of the District function
Municipal Public Transport	Yes	Not adequately performed
Pontoons and Ferries	Yes	Not performed
Storm Water	Yes	Not adequately performed.
Trading Regulations	Yes	Not performed
Water (potable)	Yes	Performed
Sanitation	Yes	Performed
Constitution Schedule 5, Part B functions		

Beaches and Amusement Facilities	Yes	Not performed
Billboards and the Display of Advertisement in Public Places	Yes	Not performed
Cemeteries, Funeral Parlours and Crematoria	Yes, including the District Municipality's function	Not adequately performed
Cleansing	Yes	Not performed
Control of Public Nuisance	Yes	Not performed
Control of Undertaking that Sell Liquor to the public	Yes	Not performed
Facilities for the accommodation, care and burial of animals	Yes	Not performed
Fencing and Fences	Yes	Not performed
Licensing of dogs	Yes	Not performed
Licensing of undertakings that sell food to the Public	Yes	Not performed
Local Amenities	Yes	Not performed
Local Sports Facilities	Yes	Performed though not optimally

Markets	Yes	Not performed
Municipal Abattoirs	Yes	Not performed
Municipal Parks and Recreation	Yes	Performed though not optimally
Municipal Roads	Yes	Performed though not optimally
Noise Pollution	Yes	Not performed
Pounds	Yes	Not performed
Public Places	Yes	Not performed
Refuse Removal, refuse Dumps and solid waste disposal	Yes	Performed though not optimally. The project has since collapsed
Street Trading	Yes	Not performed
Street Lighting	Yes	Performed though not optimally
Traffic and Parking	Yes	Not performed

The municipality, over and above the functions listed above, performs the following functions:

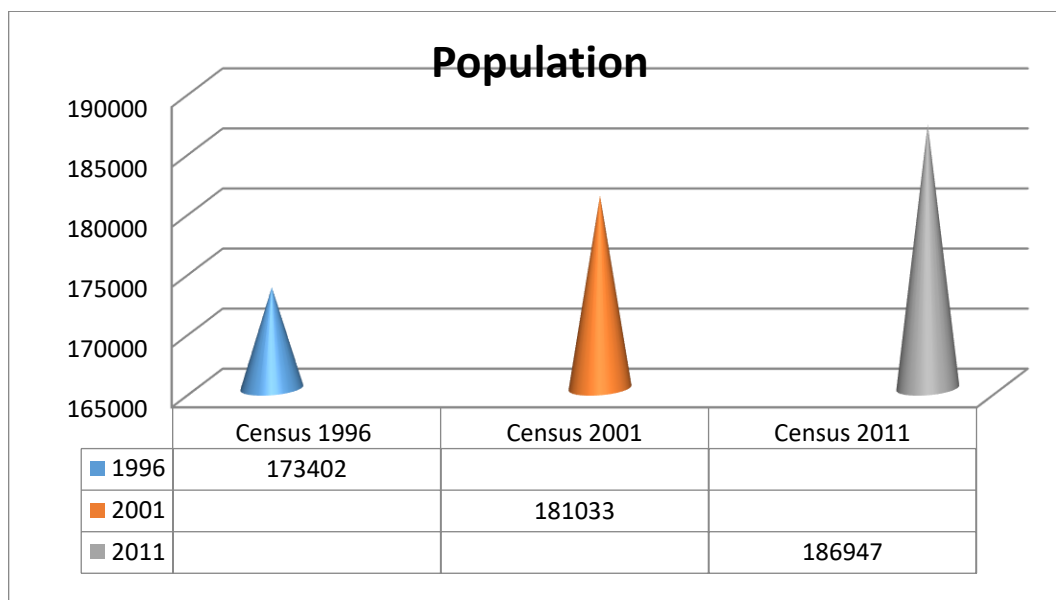
- Health coordination
- Disaster management

The Municipality provides the following basic services to the population of Moretele:

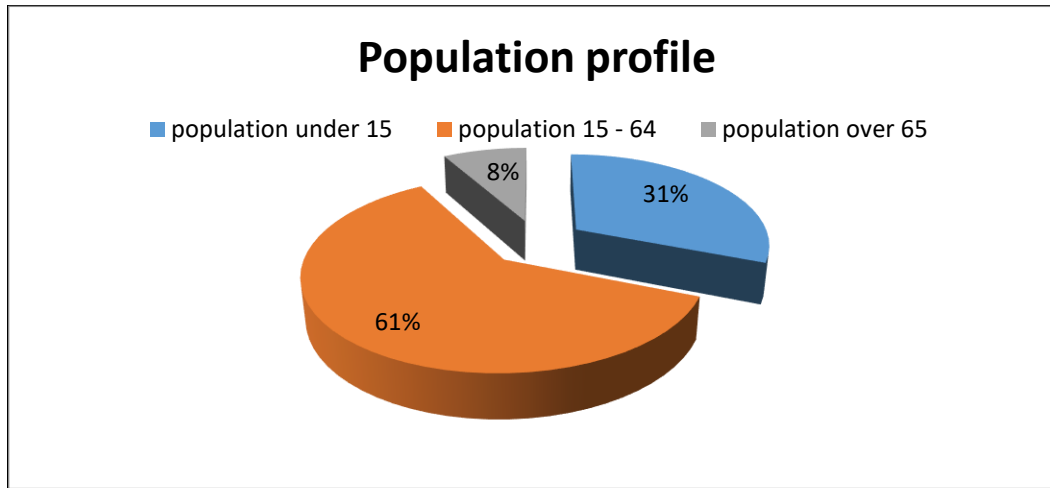
Description of basic service	Percentage access
Flush toilets connected to sewerage	4.4%
Weekly refuse removal	1.0%
Piped water inside dwelling	9.0%
Electricity lighting	94.0%
Source: Census 2011 Municipal Fact Sheet, published by Statistics South Africa	

1.3.2.1 Population

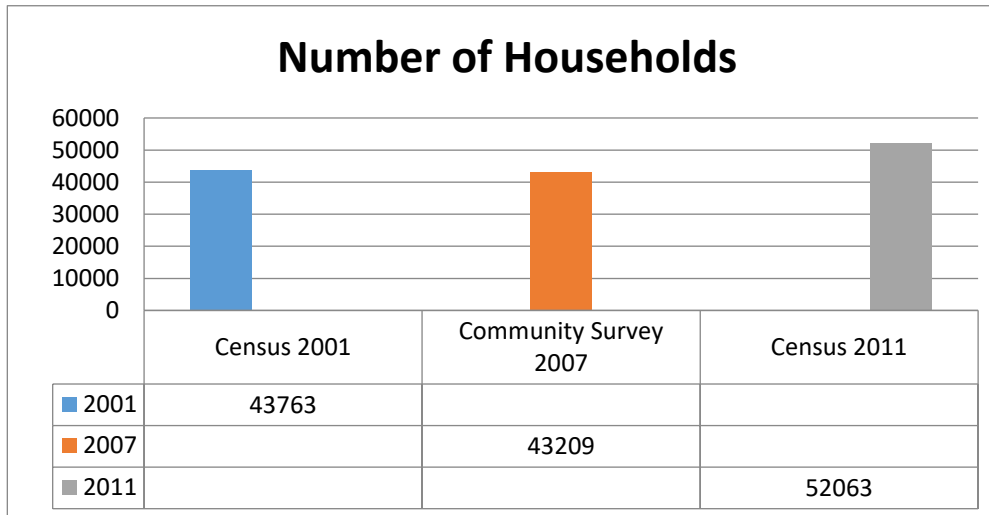
The Moretele Local Municipality has a total population of 186 947, highly rural with 88% of the population residing in traditional areas, about 7.4% residing in urban areas and about 3% residing on smallholdings. Black Africans constitute 99.4% of the Moretele Local Municipality's population.



The most common or dominating language is Setswana. More than half of the population (51%) is female. At age 85 and older, there were more than twice as many women as men. People under 15 years of age made up over a quarter of the population (30.9%), people aged between 15 and 64 constitute more than half of the population (60.9%) and people aged 65 and older made up 8.2% of the population (Source: Census 2011).



Source: Census 2011



Source: Census 2011

Unemployment rate	Youth unemployment rate	Dependency ratio per 100 (age 15 - 64)	Education (aged 20+)		
			No schooling	Matric	Higher education
45.9%	57.2%	64.2	9.1%	27.2%	4.6%
Source: Census 2011 Municipal Fact Sheet, published by Statistics South Africa					

(iii) Geographical Information

Moretele is a local municipality in the Bojanala Platinum District Municipality of the North West Province of South Africa. The municipality was established in 2000 and it covers an area of 1 378.7km². It is located strategically to join four provinces namely Gauteng, North West, Limpopo and Mpumalanga.

Traditional Leadership

Most of the land as depicted on the map below, falls under the leadership of the four Traditional Councils found in the Municipal area.

No	Traditional Council	Traditional Leader	Seat of Council
1.	Bahwaduba Traditional Council	Hon Kgosi Mathibe L	Mathibestad
2.	Bakgatla Ba Mosetlha Traditional Council	Hon Nchaupe Makapan	Makapanstad
3.	Bakgatla Ba Mocha Traditional Council	Hon Kgosi Maubane	Maubane
4.	Baphuthing Ba Ga Nawa Traditional Council	Hon Kgosi Nawa	Lebotloane

1.3.3 Key economic activities

Key economic activity	Description
Crop Framing	Vegetables, Herbs, Maize Meal, Sunflower
Cattle Farming	Cattle trading
Chicken Farming	Chicken trading, Egg production & Chicken production
Goat Farming	Trading
Tourism	Carousel Hotel: Entertainment & accommodation
Tourism	Samuvash Accommodation
Mining	Extraction of sands

1.3.4 National key performance indicators - Municipal Financial Viability and Management (Ratios)

The table below indicates the municipality's performance in term of the **National Key Performance Indicators** required in terms of the Local Government: Municipal Planning and Performance Management Regulations of 2001 and Section 43 of the MSA. These key performance indicators are linked to the **National Key Performance Area** Namely **Municipal Financial Viability and Management**.

National KPIs for financial viability and management			
Description	Basis of calculation	2017/2018	2018/2019
		Audited outcome	Audited outcome
Cost Coverage	(Available cash + Investments)/monthly fixed operational expenditure	Qualified	Qualified
Total Outstanding Service Debtors to Revenue	Total Outstanding Service Debtors / annual revenue received for services	Qualified	Qualified
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	Qualified	Qualified

1.3.5 Organisational Development Overview

1.3.5.1 Municipal Transformation and Organisational Development Highlights

Municipal Transformation and Organisational Development Highlights	
Highlights	Description
Critical senior (s.56/57) managers positions all filled	Chief Financial Officer, IDS, LED and CDS Directors were filled. Municipal Manager and Human Resource Director position will be filled in the financial year 2019-20.
Council approved to establishment of a Records Management Unit	Records Management unit is in operation but still under-staffed.
Local Labour Forum has been established and is fully functional	Local Labour Forum is functional, and meetings are held regularly.

1.3.5.2 Municipal Transformation and Organisational Development Challenges

Municipal Transformation and Organisational Development Challenges	
Challenge	Actions to address challenge
Delay in the filling of Critical positions	All Senior Manager positions be filled by 2019-20 Financial year
Obsolete Municipal policies	All Municipal policies be reviewed by 2019-20 Financial year

1.3.6 Auditor General Reports

Legend for audit outcomes			
Unqualified	Qualified	Adverse	Disclaimed
Audited outcomes over past five financial years			
Year	Audit Outcome		

2013/2014	Disclaimer
2014/2015	Qualified
2015/2016	Qualified
2016/2017	Qualified
2017/2018	Qualified
2018/2019	Qualified

1.3.7 2018/2019 IDP/Budget Process

2018/2019 IDP/Budget Process			
Activity	Responsible person	Dates	Budget
Approval of the Process Plan	Mayor and Council	30 August 2018	R450 000
IDP Ward based Consultations	Mayor and Speaker	08 October to 30 November 2018	
Tabling of the Draft IDP and Budget	Mayor and Council	28 March 2019	
Final Approval	Mayor and Council	30 May 2019	

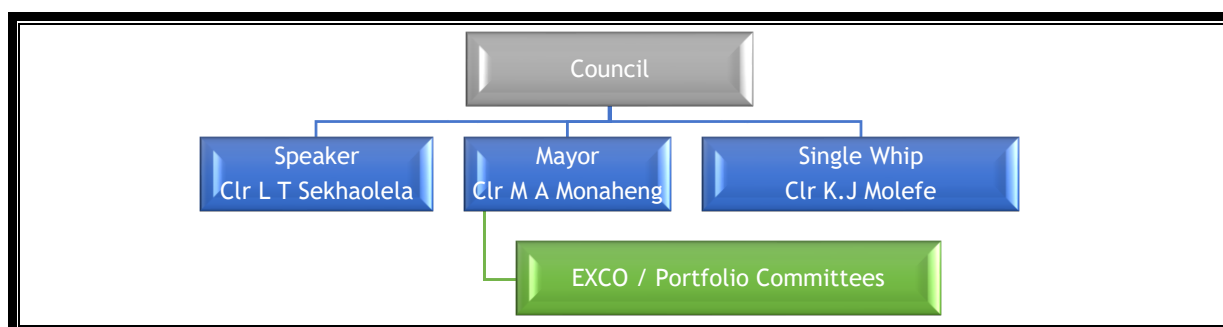
Chapter 2: Governance

Good governance has eight major characteristics: participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive, and follows the rule of law. Governance assures that corruption is minimized, the views of minorities are considered and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

COMPONENT A: GOVERNANCE STRUCTURES

2.1 Political governance structure

The Council performs both legislative and executive functions. It focuses on legislative, oversight and participatory roles, and have delegated its executive function to the executive Mayor, and the Mayoral Committee. Council's primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision-makers, councilors are also actively involved in community work and the various social programmes in the municipal area.



2.1.1 Council

The complete list of all Councilors, the party they belong to and the ward which they represent is included as Appendix A. Information pertaining to the percentage of Council meetings attended by each Councilor is also provided in Appendix A.

2.1.2 Executive Committee

The Mayor of the Municipality, Councilor **Makinta Andries Monageng**, assisted by the Executive Committee, heads the executive function of the Municipality. The Mayor is at the center of the system of governance, since powers are vested in the mayor to manage the day-to-day affairs of the municipality. This means that the mayor has an overarching strategic and political responsibility. Although accountable for the strategic direction and performance of the Municipality, the mayor is supported by the executive committee, committees of Council and accounts to Council.

Members of the Executive Committee and Portfolios For the Period 1 July 2018 to 20 June 2019	
Name of member	Capacity
M.A Monageng	Mayor
T.L Sekhaolela	Speaker
K.J.Molefe	Single Whip
L.Motsepe	Chairperson of Infrastructure Development Services
N.K Mleta	Chairperson of IDP/PMS
M.J Makwela	Chairperson of Budget and Treasury and Local Economic Development, Land use and Traditional Affairs
M.B Mangena	Chairperson of Human Resources and Corporate Services
D.Sephelle	Chairperson of Community Development Services, Sports Arts and Culture
M.J Kau	Chairperson MPAC

2.1.3 Portfolio Committees

Portfolio Committees are Section 80 committees in terms of the Municipal Structures Act. These are permanent committees of Council that specialize in a specific functional area of the Municipality and may in some instances make decisions on specific functional issues. They advise the executive committee on policy matters and make recommendations to Council.

The portfolio committees for the current executive term, their Chairpersons and other information is provided in Appendix B.

2.2 Administrative governance structure

In terms of Section 60 of the MFMA, the Municipal Manager is the Accounting Officer of the Municipality. The Municipal Manager is the head of the administration and serves primarily as the chief custodian of service delivery and implementation of political priorities. The Municipal Manager is assisted by the Section 57 managers (MSA), who form the management team.

Administrative Governance Structure		
Name of official	Position & Department	Performance agreement signed
Mr T.J Matshabe	Acting Municipal Manager	Yes
Ms S.Vilane	CFO	Yes
Mr J Mabaso	Acting Director: HR & Corporate Services	Yes
Mr S Moreriane	Director: Technical Services.	Yes
Mr Makwela	Director: Local Economic Development	Yes
Ms D Lehari	Director: Community Development Services	Yes

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 Intergovernmental Relations

2.3.1 District Intergovernmental Structures

The Moretele Local Municipality participated in the District Participation Ward Committee Coordinators Forum.

2.3.2 Provincial Intergovernmental Structures

The Moretele Local Municipality participated in the Provincial Participation Ward Committee Coordinators Forum.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 Public accountability and participation

Section 16 of the MSA refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this purpose, it must encourage and create conditions for the local community to participate in the affairs of the community.

Such participation is required in terms of the following:

- The preparation, implementation and review of the IDP;
- The establishment, implementation and review of the performance management system;
- The monitoring and review of the performance, including the outcomes and impact of such performance; and
- The preparation of the municipal budget.

2.4.1 Public Meetings

2.4.1.1 Ordinary public meetings

Ordinary Public Meetings			
Nature and purpose	Date of event	Number of participating municipal councillors	Number of participating municipal administrators
Ordinary	29 th June 2018	33	11
	30 th October 2018	43	16
	30 th May 2019	44	8
	07 th Aug 2019	31	7
Special Council meetings	<u>30th Jan 2018</u>	45	6
	28 th Feb 2018	28	7
	30 th May 2018	42	8
	18 th June 2018	30	11
	18 th July 2018	31	9
	31 st July 2018	36	11
	30 th August 2018	30	17
	21 st Nov 2018	27	10
	21 st Dec 2018	32	10
	30 th Jan 2019	42	10
	28 th Feb 2019	40	15
	29 th March 2019	34	11
	18 th April 2019	32	13
	29 th April 2019	30	8

	3 rd May 2019	34	7
	27 th June 2019	33	14
	17 th July 2019	40	8
	15 th Aug 2019	39	11

2.4.1.2 IDP consultation purposes and alignment

The approved process plans made provision for municipal wide consultative meetings which were held as indicated below. The meetings were used to identify community-based needs which informed the 2018/2019 IDP process.

IDP Participation meetings			
Ward	Ward Councilor	Date	Time
01	Z Raletjaza	10 /11/2018	10 AM
02	M Moatshe	11/11/2018	10 AM
03	M.A Monageng	12/11/2018	10 AM
04	D Sono	17/11/2018	10 AM
05	M Mosetlhe	11/11/2018	10 AM
06	P Letlhabi	11/11/2018	10 AM
07	M Gwebu	21/11/2018	10 AM
08	S Mathatho	20/11/2018	10 AM
09	M Mohomana	04/11/2018	10 AM
10	M Molefe	16/11/2018	10 AM
11	M Chauke	03/11/2018	10 AM
12	K Mokadi	20/11/2018	10 AM
13	M Madumo	27/11/2018	10 AM
14	L Motsepe	21/11/2018	10 AM
15	J Makhubela	03/11/2018	10 AM
16	S Nkoana	28/10/2018	10 AM
17	M Mathe	21/10/2018	10 AM
18	LS Moseki	22/10/2018	10 AM
19	M Motsepe	20/10/2018	10 AM
20	S Molomo	20/10/2018	10 AM
21	M Ntsheni	21/10/2018	10 AM
22	P Mahlagu	27/10/2018	10 AM

23	K Maluleke	11/11/2018	10 AM
24	S Mokgara	24/11/2018	10 AM
25	R tseke	08/11/2018	10 AM
26	P Moraka	07/11/2018	10 AM

2.4.1.3 Representative forums

Local Labor Forum

i. Composition

The Local Labor Forum is composed of equal representation from the trade unions and the employer, currently five representatives each. The employer representatives consist of Councilors and management, provided that the councilors make up no less than one-third of the delegation.

ii. Terms of Reference

The Local Labor Forum has the powers and functions regarding negotiating and/or consulting:

- On matters of mutual concern pertaining to the employer and which do not form the subject matter of negotiations at the Council or its Divisions;
- On such matters as may from time to time be referred to such forum by the Council or its Divisions;
- Provided that it may not negotiate on any matter, which has been reserved for exclusive bargaining in the Council or the Divisions;
- Concluding of Minimum Service Agreements.

Disputes over what is negotiable, what are the matters for consultation and whether a specific process constitutes enough consultation, are to be resolved through the dispute resolution mechanism of Council.

The Local Labor Forum was fully constituted as indicated in the table below.

Constituents of the Local Labour Forum	
Management Representatives	Labour Representatives
<ul style="list-style-type: none"> • Mothapo • Mr Naake • Cllr Mangena • Mr Mabasa 	<ul style="list-style-type: none"> • Mr Moerane • Mr Nkwinika • Mr Moseki • Mr Molefe • Miss Ramoroko

COMPONENT D: CORPORATE GOVERNANCE

2.5 Corporate Governance

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way in which an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the achievement of the goals for which the institution is governed.

2.5.1 Risk management

In terms of Section 62(1)(c)(i) of the MFMA, “the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control”.

The municipality has established a system of risk management in accordance with the MFMA and risk management standards as applicable. The governance and oversight responsibility of risk at the municipality are the responsibility of the Audit Committee and Risk Management Committee. These committees meet on a quarterly basis in accordance with the approved terms of reference.

The municipality appointed an Acting Chief Risk Officer at the end of the third quarter of the financial year 2017/2018 to assist the municipality to embed risk management and leverage its benefits to enhance performance. A strategic risk assessment was conducted for 2018/2019 financial year. Strategic objectives and assumptions behind the achievement of these objectives were interrogated, in order to guide management to identifying strategic risks that could prevent the municipality from achieving the objectives and thus the service delivery mandate.

The following **top ten risks** have been identified during the strategic risk assessment. These are also the same in the previous financial year.

Top ten strategic risks		
No	Inherent risk	Level of risk
1.	Optimal organisational performance might not be reached	25
2.	Municipality may not succeed in enhancing local economic development and job creation	25
3.	Lack of proper system to manage stakeholder relations	20
4.	Municipality may not be able to provide healthy and safe environment for its communities	18
5.	Ineffectiveness of control environment, Risk Management and Governance processes	18
6.	Municipality may not be financially viable and sustainable	16
7.	Municipality may not able to meet its transformation quota	16
8.	Inability to accurately measure performance (Individual directors and institutional)	15
9.	Municipality may not be able to meet the basic needs of the community	14
10	Municipality may not be able to prepare credible and compliant Annual Financial Reporting	10

It is the responsibility of the management to ensure that the identified risks under their leadership are managed to an acceptable level. The Risk Management and Audit Committee has a responsibility to monitor the effectiveness of risk treatment plans implemented by management.

2.5.2 Fraud and Anti-corruption

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption. Section 112(1)(m)(i) of MFMA identify supply chain measures to be enforced to combat fraud and corruption, favoritism and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud.

A Fraud and Anti-Corruption Strategy was developed and approved in 2014. There was no review or alignment of the strategy to the provincial strategy in the 2018/19 financial year.

2.5.3 Supply chain management

The Supply Chain Management Policy of the Moretele Municipality is deemed to be fair, equitable, transparent, competitive and cost-effective as required by Section 217 of the Constitution. The Supply Chain Management Policy complies with the requirements of Section 112 of the MFMA as well as the Supply Chain Regulations of 2005, but it must still be updated in terms of the revised Preferential Procurement Regulations of April 2017, to make provision for the new threshold amounts for tenders/bids.

During the year thirteen meetings were held for each committee: Bid Specification, Bid Evaluation and Bid adjudication.

2.5.3.1 Supply Chain Management Policy

Moretele Local Municipality adopted and approved a Supply Chain Management Policy outlining the process and procedures for the acquisition of goods and services by way of quotations or competitive bidding process, often referred to as the Procedure Manual for Supply Chain Management.

The policy further provides for a system on demand management, acquisition management, logistics and disposal management as well as risk and performance management.

The Procedure Manual or policy further prohibits the awarding of contracts to certain categories of persons in line with the MFMA and Municipal Supply Chain Regulations.

Ethical standards are part of the policy and detail how Supply Chain Practitioners, role players and officials must conduct themselves when dealing with supply chain issues which are not limited to procurement alone, but include other issues of competition, fair dealing, value of money, effectiveness as well as cost effectiveness as is required by the Constitution of the Republic.

The declaration of interest is emphasized and awarding to persons whose tax matters are not in order is not permissible.

Deviation from Supply Chain Management Regulations are permissible under the following circumstances:

- Emergency
- Sole Supplier
- Impractical or impossible to follow the process
- Special works of art

The Supply Chain Management Policy is reviewed when there are policy changes as its implementation as Supply Chain is a highly regulated environment.

2.5.3.2 Logistics and disposal management

The system of logistics management deals mainly with the following aspects:

- The placing of manual orders for all acquisitions other than those from petty cash; and
- Before payment is approved, certification by the responsible officer that the goods and services has been received or rendered.

No goods, items or any inventory items were disposed of during the 2018/2019 financial year.

2.5.3.3 Awards made by the Bid Adjudication Committee

The Bid Adjudication Committee (BAC) makes recommendation to the Accounting Officer on all bids and the awarding of contracts. The BAC does not have delegated powers to make any awards.

Bids Awarded by the Accounting Officer for 2018/2019				
No	Project Name	BID Number	Company Name	Bidding Amount
1.	Appointment of a panel of expert to provide financial advisory service to provide financial advisory service to the MLM Department	MLM/BTO/EXP-PAN/2018-2019	*Maps Advisory and Consulting services *CIS Belt Pty Ltd *Ramatshila Mugeru Attorneys *Gensize Consulting Services *Hlaudi Consulting *Edge Forensic and Risk Consultants *Sempro Consulting Pty Ltd *Kunene Makopo Risk Solutions Pty Ltd	No amount, appointment is based on quotation
2.	Appointment of a service provider to arrange air travel, accommodation and car rental and/or shuttle transport for the MLM	MLM/SCM/TMS/2018-2019	Khabond Travel Agency	No amount, appointment is based on quotation

3.	Appointment of panel for service provider to supply and deliver of printing papers, ink toners, cartridges and ribbons	MLM/SCM/PICR/2018-2019	Modikela Trading Projects Pty Ltd	No amount, appointment is based on quotation
4.	Appointment of panel for service provider to supply and deliver of stationery and office consumable @MLM	MLM/SCM/SOC/2018-2019	*Tesane Trading and Projects *Mobcon Projects *Missing Link Education cc *Riyo Trading and Projects *Lempitseng Enterprise 83	No amount, appointment is based on quotation
5.	Hiring of sewer vacuum tanker	MLM/IDS-W/SVT/2018-2019	Alumni Trading 212 Pty Ltd	R9,280.00 per day
6.	Appointment of panel for service provider to supply and deliver of protective clothing	MLM/SCM/PC/2018-2019	*Manoti Building and Construction *Shumela Trading *Matlhabane Trading and Projects *Victorious Entrepreneurs Construction and Projects	No amount, appointment is based on quotation

7.	Panel of service providers for sourcing of grants and implementation of programmes on Risk Based for period of 3 years	MLM/BTO/GS - PAN/2018-2021	*Kelotlhoko Consulting Services *Gobela Consulting Pty Ltd *Naldocraft/Greem aso Pty Ltd JV *Computer Ink and Media Solutions *Mixo Properties JV *Maya Group Advisory and Investment *Onboard Consulting Engineers Pty Ltd *Mbelengwa Civil and Mechanical Services	No amount, appointment is based on quotation
8.	Rural Water Supply in Ward 03 - Yard Connections	MLM/WSIG/W/W3/2018 2019	Ditshemega Projects and Training	R9,587,814.50
9.	Upgrading of Internal Roads and Storm water in Mogogelo	MLM/R&SW/W11/P - 2/2018 2019	Ditshemega Projects and Training	R14,776,088.75
10.	Ward 26 Basic Sanitation Phase 3	MLM/S/W26/P3/18-19	Casnan Civils	R3,981,010.13
11.	Ward 23 Basic Sanitation Phase 1	MLM/S/W23/P1/18-19	Patrick Makgoka Construction	R4,026,583.84

12 .	Mathibestad Basic Sanitation Phase iv (ward 24)	MLM/S/MAT/W24/P4/18 /19	Mavu - Ashu Civil Construction	R4,259,615.64
13 .	Construction of Sports Complex in ward 3,9 & 22 -W3	MLM/SPC/W3/18-19	Katsila Lenaila Projects	R4,009,535.76
14 .	Construction of Sports Complex in ward 3,9 & 22 -W9	MLM/SPC/W9/18-19	GR Makopo Projects	R4,186,981.27
15 .	Construction of Sports Complex in ward 3,9 & 22 -W22	MLM/SPC/W22/18-19	Unity Construction	R4,394,707.75
16 .	Mathibestad Basic Sanitation Phase IV (Ward 18)	MLM/S/MAT/W18/P4/18 -19	Ditshimega Projects and Training	R4,199,994.78
17 .	Provision of security service in Moretele Local Municipality - Cluster 1 for a period of 36 months	MLM/HR&C/SECURITY - C1/18 -20	Mabotwane Security Services	R15 689.61 per day and R15 689.61 per night
18 .	Provision of security service in Moretele Local Municipality - Cluster 2 for a period of 36 months	MLM/HR&C/SECURITY - C2/18 -20	MCC Security Services & Projects	R22,157,138.18 (R3 550.00 per day and R13 550.00 per night)

No appeals were lodged by the bidders that submitted bids during the 2018/2019 financial year.

The municipality has established the Financial Misconduct Board to investigate all matters which relate to MFMA transgressions and financial misconduct.

2.5.4 By-Laws

Section 11 of the MSA gives a Council the executive and legislative authority to pass and implement by-laws and policies. The Municipality has not developed or reviewed any bylaws during the 2018/2019 financial year.

2.5.5 Municipal Website

The website address of the Municipality is www.moretele.gov.za. The website is an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance.

In term of Section 75 of the MFMA and Section 21A of the MSA the Accounting Officer (Municipal Manager) must ensure that certain documents must be published on the Municipality's website. It is required by Section 75(2) that the above-mentioned documents be placed on the website of the Municipality not later than five (5) days after its tabling in the council or on the date on which it must be made public, whatever occurs first.

The checklist in the table below indicates compliance with Section 75 of the MFMA and Section 21A of the MSA.

Website Checklist	
Documents published on the website	Yes/No
Mission & Vision	Yes
Council Minutes	Yes
IDP	Yes
Budget	Yes
Reports	Yes
Policies	Yes
Acts	Yes
Awarded Tenders	Yes

Contracts	Yes
Notice/registers	Yes

2.5.6 Communication

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa, Act 108 of 1996 and other statutory enactments all impose an obligation on local government communicators and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

The communities, on the other hand, have a right and a responsibility to participate in local government affairs and decision-making and ample provision is made in the above-mentioned legislation for the to exercise their rights in this respect. Our democratic government is committed to the principle of Batho Pele and this, in simple terms, means that councillors elected to represent the community and those officials employed to serve the community must always put the people first in what they do.

South Africa has adopted a system of developmental local government, which addressed the inequalities, and backlogs of the past while ensuring that everyone has access to basic services, to opportunities and an improved quality of life.

To be successful, communication must focus on the issues that are shown to impact on the residents' perceptions, quality of service, value-for-money and efficiencies. They should ideally endeavor to close the communication-consultation loop, in other words tell people how they can have a say and demonstrate how those who have given their views have had a real impact.

Below is a communication checklist that indicates the compliance with the communication requirements.

Communication checklist	
Communication activities	Yes/No
Communication unit	Yes
Communication strategy	No
Communication policy	Yes
Customer satisfaction surveys	Yes
Functional complaint management systems	Yes

Newsletters* distributed at least quarterly	Yes
---	-----

* The newsletter is **Kgatelo Pele**

2.5.7 Public Satisfaction on Municipal Services

The Municipality is committed to continuously improve service delivery. Comments on public satisfaction is encouraged at ward committee meetings. The feedback from the community is communicated to the relevant departments at the municipality.

2.5.8 Oversight Committees and Structure

2.5.8.1 Municipal Public Accounts Committee

Municipalities must establish Municipal Public Accounts Committees (MPAC) in terms of the provisions of the Local Government Municipal Structures Act 117 of 1998 and the MFMA to serve as an oversight committee to exercise oversight over the executive obligations of Council. The MPACs will assist Council to hold the executive and municipal entities to account, and to ensure the efficient and effective use of municipal resources. By so doing, the MPAC would help to increase Council and public awareness of the financial and performance issues of the municipality and its entities.

MPAC Members and Attendance of Meetings in the Last Quarter of 2018/2019		
Name of MPAC Member	Number of Meetings Attended	Apology Tendered and Accepted
1. CLR Mahlomola Kau	21 out of 21	0
2. CLR G. Makgathulela	17 out of 21	4
3. CLR T. Ngobenil	16 out of 21	5
4. CLR A. Ramadi	18 out of 21	3
5. CLR S. Mathatho	16 out of 21	5
6. CLR M. Molefe	16 out of 21	5
7. CLR M. Mphande	8 out of 21	Bi-election
8. CLR M. Mogale	Resigned	Resigned
9. CLR M. Chauke	18 out of 21	3
10. CLR J. Makhubela	13 out of 21	8
11. CLR S. Modisa	11 out of 21	10

Chapter 3: Service Delivery Performance

This chapter provides an overview of the key service achievements of the municipality that came to fruition during 2018/2019 in terms of the deliverables achieved compared to the key performance objectives and indicators in the IDP. It furthermore includes an overview on achievement in 2017/2018 compared to actual performance in 2018/2019.

3.1 OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

Performance management is a process which measures the implementation of the organization's strategy. It is also a management tool to plan, monitor, measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the municipality.

At local government level performance management is institutionalized through the legislative requirements on the performance management process for local government. Performance management provides the mechanism to measure whether targets to achieve its strategic goals, are met. Targets and strategic goals are set by the Municipality and its employees.

3.1.1 Legislative requirements

The Constitution, Section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of Section 195(1) are also linked with the concept of performance management, with reference to the principles of inter alia:

- The promotion of efficient, economic and effective use of resources,
- Accountable public administration
- To be transparent by providing information,
- To be responsive to the needs of the community, and
- To facilitate a culture of public service and accountability amongst staff.

The MSA requires municipalities to establish a performance management system. Further, the MSA and the MFMA require the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "A municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organized and managed, including determining the roles of the different role players." Performance management is not only relevant to the organization, but also to the individuals employed in the organization as well as the external service providers. This framework, inter alia, reflects the linkage between the IDP, budget, SDBIP and individual and service provider performance.

In terms of section 46(1)(a) a municipality must prepare for each financial year a performance report reflecting the municipality's and any service provider's performance during the financial year, including comparison with targets of and with performance in the previous financial year. The report must, furthermore, indicate the development and service delivery priorities and the performance targets set by the municipality for the following financial year and measures that were or are to be taken to improve performance.

3.1.2 Organisational performance

Strategic performance indicates how well the municipality is meeting its objectives and which policies and processes are working. All government institutions must report on strategic performance to ensure that service delivery is efficient, effective and economical. Municipalities must develop strategic plans and allocate resources for the implementation. The implementation must be monitored on an ongoing basis and the results must be reported on during the financial year to various role-players to enable them to timeously implement corrective measures where required.

This report highlights the strategic performance in terms of the municipality's Top Layer Service Delivery Budget Implementation Plan (SDBIP), high level performance in terms of the National Key Performance Areas, performance on the National Key Performance Indicators prescribed in terms of Section 43 of the Municipal Systems Act, 2000 and an overall summary of performance on a functional level and in terms of municipal services.

3.1.3 The performance management system followed for 2018/2019

3.1.3.1 The Performance Management Framework

The municipality adopted a performance management policy was approved by Council on the March 2018.

3.1.3.2 The IDP and the budget

The IDP and Budget for 2018/2019 was approved by Council on the 30 May 2018. The IDP process and the performance management process are integrated. The IDP fulfils the planning stage of performance management. Performance management in turn, fulfils the implementation, management, monitoring and evaluation of the IDP.

3.1.3.3 The Service delivery and Budget Implementation Plan

The organizational performance is evaluated by means of a municipal scorecard (Top Layer SDBIP) at organizational level and through the service delivery budget implementation plan (SDBIP) at directorate and departmental levels.

The SDBIP is a plan that converts the IDP and budget into measurable criteria on how, where and when the strategies, objectives and normal business processes of the municipality is implemented. It also allocates responsibility to directorates to

deliver the services in terms of the IDP and budget. The MFMA Circular No.13 prescribes that:

- The IDP and budget must be aligned
- The budget must address the strategic priorities
- The SDBIP should indicate what the municipality is going to do during next 12 months
- The SDBIP should form the basis for measuring the performance against goals set during the budget/IDP processes.

The SDBIP were prepared as described in the paragraphs below and the Top Layer SDBIP approved by the Mayor as required by applicable legislation.

Top Layer SDBIP (Municipal Scorecard)

The municipal scorecard (top layer SDBIP) consolidate service delivery targets set by Council / senior management and provide an overall picture of performance for the municipality, reflecting performance on its strategic priorities. Components of the Top Layer SDBIP include:

- One-year detailed plan, but should include a three-year capital plan
- The 5 necessary components include:
- Monthly projections of revenue to be collected for each source
- Expected revenue to be collected NOT billed
- Monthly projections of expenditure (operating and capital) and revenue for each vote
- Section 71 format (Monthly budget statements)
- Quarterly projections of service delivery targets and performance indicators for each vote
- Non-financial measurable performance objectives in the form of targets and indicators*
- Output NOT input / internal management objectives
- Level and standard of service being provided to the community
- Ward information for expenditure and service delivery
- Detailed capital project plan broken down by ward over three years

Top layer key performance indicators (KPIs) were prepared based on the following:

- KPIs for the programmes/activities identified to address the strategic objectives as documented in the IDP;
- KPIs identified during the IDP and KPIs that need to be reported to key municipal stakeholders;
- KPIs to address the required National Agenda Outcomes, priorities and minimum reporting requirements; and
- The municipal turnaround strategy (MTAS).

It is important to note that the municipal manager needs to implement the necessary systems and processes to provide the portfolios of evidence for reporting and auditing purposes.

Departmental SDBIPs (scorecard)

The directorate and departmental scorecards (detail SDBIP) capture the performance of each defined directorate or department. Unlike the municipal scorecard, which reflects on the strategic performance of the municipality, the departmental SDBIP provide detail of each outcome for which top management are responsible for, in other words a comprehensive picture of the performance of that directorate/sub-directorate. It was compiled by senior managers for their directorate and consists of objectives, indicators and targets derived from the approved Top Layer SDBIP, the approved budget and measurable service delivery indicators related to each functional area.

KPIs were developed for Council, the Office of the Municipal Manager and for each Directorate. The KPIs were developed in such a manner that it:

- Address the TL KPIs by means of KPIs for the relevant section responsible for the KPIs;
- Include the capital projects' KPIs for projects by aligning the targets with the projected monthly budget and project plans;
- Address the key departmental activities; and
- Each KPI have clear monthly targets and are assigned to the person responsible for the KPIs.

Reporting Actual performance

KPI owners report on the results of the KPI by documenting the following information:

- The actual results in terms of the target set;
- The output/outcome of achieving the KPI;
- The calculation of the actual performance reported. (If %);
- A performance comment; and
- Actions to improve the performance against the target set, if the target was not achieved.

It is the responsibility of every KPI owner to maintain a portfolio of evidence to support actual performance results updated.

3.1.4 Performance Management

The municipality adopted a performance management framework that was approved by Council on the May 2018.

3.1.4.1 Organisational Performance

The organizational performance is monitored and evaluated via the SDBIP and the performance process can be summarized as follows:

- The top layer SDBIP was approved by 30 May 2018.
- The Section 72 report in prepared terms of the Municipal Finance Management Act, which was submitted to the Mayor by January 2019.

3.1.4.2 Individual Performance Management

Municipal Manager and managers directly accountable to the Municipal Manager

The Municipal Systems Act, 2000 (Act 32 of 2000) prescribes that the municipality must enter into performance-based agreements with the all 557-employees and that performance agreements must be reviewed annually. This process and the format are further regulated by Regulation 805 (August 2006). The performance agreements for the 2016/2017 financial year were signed during July 2016 as prescribed.

For the period under review, no evaluations were conducted as required by Section of the Regulations 2006.

Other municipal personnel

The municipality is in process of implementing individual performance management to lower level staff in annual phases.

3.2 INTRODUCTION TO STRATEGIC AND MUNICIPAL PERFORMANCE FOR 2018/2019

3.2.1 Strategic Service Delivery and Budget Implementation Plan (Top Layer)

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of IDP outcomes. This section as stated in the IDP should provide an overview of the strategic achievements of the municipality in terms of the strategic intent and deliverables achieved IDP. The top layer SDBIP is the municipality's strategic plan and shows the strategic alignment between the IDP, Budget and Performance Agreements.

In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP according to the five National Key Performance Areas (NKPAs) linked to the Municipal KPAs and IDP (strategic) objectives.

3.2.1.1 KPA: BASIC SERVICES AND INFRASTRUCTURE DEVELOPMENT

Infrastructure and Development Services

KPA: Basic Services and Infrastructure						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviation	Evidence
To ensure adequate access of basic service to the households (To ensure access to portable water to all municipal households by 2022)	41025 households with access to potable water inside dwelling	No. of households with piped water inside the yard	1 544 households with piped water inside the yard in Ward 3 (Cyferskuil) by June 2019	1 544 households with piped water inside the yard in Ward 3 (Cyferskuil) Completed		Completion Certificate (IDS01)
				Achieved		
	Number of villages access to underground water (Communal standpipe)	No. of communal standpipes erected	50 public taps erected in ward 5 (Previously)by June 2019	15km done. 38 standpipes completed	Eskom has not yet connected transformers	
				Not Achieved		
	216 KL of water distributed through water tankering	KL of water supplied to households without access	146.0KL of water supplied in 26 wards by June 2019	146.0KL of water supplied in 26 wards supplied		Reports (IDS02)
				Achieved		

KPA: Basic Services and Infrastructure						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviation	Evidence
To ensure adequate access of basic service to the households (To ensure that all household have access to proper sanitation by 2022)	27 549 households with access to basic sanitation	No. of sanitation units constructed in ward 18,23, 24 & 26	721 sanitation units constructed in ward 18,23,24& 26 by June 2019	657 sanitation units constructed in ward 23,24& 26 supplied	Ward 18 not constructed	Completion certificate (IDS03)
				Not Achieved		
		No. of sanitation units constructed	936 sanitation units constructed in ward 16,17,19,21&22 by June 2019	936 sanitation units constructed in ward 16,17,19,21&22 supplied		Completion certificate (IDS04)
				Achieved		
To provide adequate internal access roads and storm water by 2022	3.2km access route in Thulwe	Thulwe bridge constructed to completion	Thulwe bridge fully constructed by June 2019	Concrete walls complete	Poor performance by the main contractor	
				Not Achieved		

KPA : Basic Services and Infrastructure Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviations	Evidence
To provide adequate internal access roads and storm water by 2022	2km access road completed in 2017/18 (Phase 1)	No. of km of road constructed in Mogogelo	2km of access road constructed in Mogogelo by June 2019 (Phase 2)	2km of access road constructed in Mogogelo completed		Completion certificate (IDS05)
				Achieved		
	65,9km gravel roads maintained in 2016/17	No. of km of gravel roads maintained	70km of roads maintained in 26 wards by June 2019	70km of roads maintained in 26 wards		Progress report (IDS06)
				Achieved		
To provide community amenities (To provide planning and design for community amenities)	3 sports complexes in Mmakau nyane, Makapansstad &	No. of sports complex constructed	3 Sports complex constructed in ward 3,9 &22 by June 2019	2 sports complexes completed in ward 9 and 22	Ward3 sport complex in progress (IDS07(2))	Completion certificate (IDS07)
				Not Achieved		

KPA : Basic Services and Infrastructure Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviations	Evidence
	Maubane					

Community Development Services

KPA: Basic Services and Infrastructure Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (If any) / Reasons for deviations	Evidence
To create and maximize local job opportunities through EPWP	390 ward Base EPWP workers	Number of jobs created through EPWP	390 jobs created through EPWP by July 2018-June 2019	390 jobs created through EPWP		Progress report (CDS01)
				Achieved		

KPA: Basic Services and Infrastructure Development							
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (If any) / Reasons for deviations	Evidence	
Promotion of sustainable communities' arts and	New	Number of art and culture events held	4 art and culture events held by June	4 art and culture events held		Attendance register	

KPA: Basic Services and Infrastructure Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (If any) / Reasons for deviations	Evidence
cultures programs and infrastructure				Achieved		(CDS02)
	1 (Maubane cultural village)	Maintenance of municipal art and culture facility	Maintained art and culture facility by December 2018	tender closed and service providers appointed	Delay in procurement services	Completion certificate (CDS03)
				Not Achieved		
To improve the culture of reading	New	Number of libraries developed, and awareness campaigns developed	1 library developed (Lebotloane) and 4 Awareness campaigns held by June 2019	1 library developed (Lebotloane) and 4 Awareness campaigns held (CDS04(2))	Library still in progress	Progress report and attendance register (CDS04)
				Not Achieved		
Co- ordinate and support health programs	Four health calendar awareness held	Number of awareness campaign held	4 awareness campaign held by end of June	4 awareness campaign held		Attendance register (CDS05)
				Achieved		

KPA: Basic Services and Infrastructure Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (If any) / Reasons for deviations	Evidence
To support and promote service delivery to communities	New	Number of reflectors and gazebo purchased	40 reflectors and 1 gazebo purchased and	40 reflectors and 1 gazebo were not purchased because of insufficient funding	Insufficient funds	
				Not Achieved		
	New	Number of safety awareness campaign Number of CSPF's launched	4 awareness campaign held By June Launched ward CSPF's	4 awareness campaign held		Reports (CDS06)
				Achieved		
Revival of Disaster Advisory Forum	Inactive Disaster Management Advisory forum	Number of Disaster Management Forum held	Operational Disaster Management Advisory Forum	Operational Disaster Management Advisory Forum held		Attendance register (CDS07)

KPA: Basic Services and Infrastructure Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (If any) / Reasons for deviations	Evidence
				Achieved		
Support veld and forest fire and Disaster management programs	Fire Protection Association established and Registered	Number of veld forest fire management Programs conducted and supported	3 meetings 1 AGM	3 meetings and 1 Annual General Meetings were held Achieved		Attendance register (CDS08)
To conduct Disaster Risk Assessment	4 CBRA Conducted	Number of CBRA conducted	4 Community Based Risk Assessment	4 Community Based Risk Assessment were held Achieved		Attendance register (CDS09)
To conduct Disaster risk reduction Awareness campaigns	32 Awareness campaigns conducted	Number of Awareness campaigns conducted, awareness material	4 Awareness campaigns	4 Awareness campaigns were held		Attendance register (CDS10)

KPA: Basic Services and Infrastructure Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (If any) / Reasons for deviations	Evidence
		and protective clothes procured	4 types of awareness material and 2 sets of protective clothing	4 types of awareness material and 2 sets of protective clothing were procured Achieved		
To improve response time to all reported incidents by work-shopping all ward committees within Municipal area	Four workshops conducted	Number of ward Committee members work-shopped	26 Ward Committees work-shopped (Disaster)	26 Ward Committees work-shopped (Disaster) were held Achieved		Attendance register (CDS11)

3.2.1.2 KPA: FINANCIAL MANAGEMENT AND VIABILITY

Budget and Treasury

KPA : Financial Management and Viability						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations / Reasons for deviations	Evidence
To ensure and promote financial viability & management	2018/19 annual budget was approved in compliance with MFMA	An approved 2019/20 annual budget (mSCOA compliant)	2019/20 Annual budget approved by 31 May 2019	2019/20 Annual Budget Approved by council by 31 May 2019		Council resolution (BT001)
				Achieved		
	6900 Indigent customers on the FBS register	Number of customers registered on the FBS register	Increase the total number of registered customers to 12 000 for the 2018/19 FY.	Increases register to 28000 households.		Indigent register (BT002)
				Achieved		
	2014-18 Valuation roll	2019-23 general valuation roll developed	Upload the certified 2019-23 valuation roll	2019-23 general valuation roll approved		Billing reports July 2018 (BT003)
				Achieved		
To ensure and			100% payments of service provider		The municipality did not pay all its	

KPA : Financial Management and Viability						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations / Reasons for deviations	Evidence
promote Financial Viability & Management	90% payments of service providers within 30 days	Creditors age analysis not over 30 days	within 30 days in line with SCM Policy by end June 2019	Some creditors were not paid within 30 days	creditors for the month of June within the prescribed period of 30 days.	
				Not Achieved		
	Asset verification is conducted once a year	Number of verifications performed	Perform asset verification twice a year	Only One Asset verification performed.	One asset verification was conducted.	
				Not Achieved		

3.2.1.3 KPA: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

Human Resources and Corporate Services

KPA : Institutional Development and Transformation						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations / Reasons for deviation	Evidence
To promote institutional development and transformation	Appointment of Senior Managers	Filling of Vacant Senior Managers positions June 2019	Filling of vacant CDS Director CFO LED Director positions	All three senior manager vacant positions were w\filled. Achieved		Recruitment and selection reports (HR01)
	100% of a municipality's budget spent on implementing 2018/2019 workplace skills plan.	% of a municipality's budget spent on implementing its workplace skills plan.	99.4% of a municipality's budget spent on implementing its workplace skills plan by end June 2019	Only 50% spent on implementing workplace skills plan by the third quarter Not Achieved	Cash flow challenges	
				Cash flow challenges impacted on the target achievement	Cashflow challenges	

KPA : Institutional Development and Transformation						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations / Reasons for deviation	Evidence
	Skill Audit performed in 2015	No of Skills Audit conducted in three years cycle	1 Skills Audit performed by July 2018	Not Achieved		
To provide legal support to council and minimize litigations against the municipality	Existing Legal Services expire in September 2018	% decrease of Litigations against the Council	40% decrease of Litigations against the Council by end December 2019	Majority of litigations were not cleared due to insufficient funding	Insufficient Funds	
				Not Achieved		
To provide and ensure adequate and reliable ICT infrastructure and efficient communication	ICT support and infrastructure required provided by the external service provider monthly	% ICT Support infrastructure and support provided	100% ICT support and infrastructure required provided by the external service provider monthly	100% Supply and deliver of cartridges, toners, and ICT Consumables		ICT Reports (HR02)
				Achieved		
To provide security and	Existing Security Services		24 hrs. Security coverage of	Two security companies were appointed to provide a 24hrs in all		SLA and

KPA : Institutional Development and Transformation						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations / Reasons for deviation	Evidence
access control	expire in September 2018	% of security and access control provided. Secured municipal assets and buildings	Municipal buildings and assets	identified municipal buildings		Monthly Security Reports and OB incidents entries (HR03)
				Achieved		

IDP, PMS and Monitoring and Evaluation

KPA: Institutional Transformation and Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations Reasons for deviations	Evidence
To provide credible municipal planning	2018/2019 IDP/Budget Process Plan approved in August 2017	2019/2020 IDP/Budget Process Plan approved	2019/2020 Process Plan approved by August 2018	2019/2020 Process Plan approved		Council resolution
				Achieved		

KPA: Institutional Transformation and Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations Reasons for deviations	Evidence
	2017 - 2021 IDP approved	2019/2020 Reviewed IDP consistent with applicable provisions	2019/2020 Reviewed IDP approved by May 2019	2019/2020 Reviewed IDP approved Achieved		Reports and Council Resolutions
To promote and enhance integrated and sustainable municipal planning, development and performance	2017/2018 PMS Policy approved	2019/2020 Reviewed PMS Policy Approved	2019/2020 PMS Policy approved by May 2019	2019/2020 PMS Policy approved Achieved		Council resolution
	New	Number of initiatives towards cascading of Individual performance management	4 PMS cascading initiatives implemented by June 2019	PMS cascading was not achieved because of Lack of funding. Not Achieved	Insufficient Funds	
	2017/2018 SDBIP approved	2019/2020 SDBIP Approved	2019/2020 SDBIP by May 2019	2019/2020 SDBIP approved Achieved		Council resolution

KPA: Institutional Transformation and Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations Reasons for deviations	Evidence
	2017/2018 PMS Policy approved	2018/2019 Performance Agreements signed	2018/2019 Performance Agreements signed by June 2018	Performance Agreements were signed		Signed Performance Agreements
				Achieved		
	2016/2017 Annual Report approved	Statutory reports approved as legislated	2017/2018 Annual Report approved by January 2019	2017/2018 Annual Report approved		Council resolution
				Achieved		
	4 quarterly performance reports approved in 2016/2017 FY	Number of quarterly performance reports approved	4 quarterly performance reports approved	4 quarterly performance reports approved		Council resolution
				Achieved		
	New	Number of M&E reports submitted to Council	Three reports	Vacant position of M&E Officer was not filled	Vacant position of M&E Officer	
				Not Achieved		

3.2.1.4 KPA: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Internal Audit

KPA : Good Governance and Public Participation						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviations	Evidence
To ensure effective oversight governance structures	Seven Audit Committee meetings held	Number of Audit Committee meetings held by June 2019	Nine of Audit Committee meetings held by June 2019	Six Audit committee meetings held by June 2019	The allocated budget for meetings was exhausted	Minutes of the Audit committee meetings (IA 01)
				Not Achieved		
	Four Audit Committee meetings held	Number of Risk Management Committee meetings held by June 2019	Four of Risk Management Committee meetings held by June 2019	Four of Risk Management Committee meetings held		Minutes of the meetings and attendance registers (IA 02)
				Achieved		

KPA : Good Governance and Public Participation						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviations	Evidence
To provide independent, objective assurance and consulting services with regards to control, risk management and governance processes designed to add value and improve the Municipality's operations.	100% implementation of the Internal Audit Plan	% implementation of Internal Audit plan by June 2019	100% implementation of the audit plan by June 2019	83% (10 of 12 audits) implementation of the audit plan	Delay in the submission of documents by the departments.	Internal audit progress report to the audit committee (IA 03)
				Not Achieved		
To ensure that internal audit has approved policies and procedures and strategic plan	All Internal Audit Strategic Documents reviewed	Internal Audit strategic documents (Charter, methodology,	Internal audit documents reviewed and approved by September 2018	Internal audit documents reviewed and approved		Minutes of the Audit Committee meeting (IA 01)

KPA : Good Governance and Public Participation						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviations	Evidence
	and approved	three year rolling and annual plan) reviewed and approved		Achieved		
To ensure that there are approved policies and procedures for Risk Management	All Risk Management Strategic Documents reviewed and approved	Internal Audit strategic documents (Risk Management Policy, Risk management strategy and Fraud Prevention Plan) reviewed and approved	Risk Management documents reviewed and approved by September 2018	Risk Management documents reviewed and approved Achieved		Council resolution (IA 04)

Public Participation

KPA: Good Governance and Public Participation						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviations	Evidence
To promote participatory democracy and stakeholder involvement	3 Imbizo	Number of Imbizo held	4 Imbizo held	3 imbizos were held Not Achieved	The Imbizo was not held due to financial constraints	Reports
	286 Ward Committee meetings	Number of Ward committee meetings held	312 Ward committee meetings held.	312 Ward committee meetings held Achieved		Meetings reports (PP 01)
	Ward Community meetings	Number of community meetings	104 Community meetings held Quarterly.	104 Community meetings held Achieved		Reports and minutes (PP 02)
	3 Ordinary Council sittings held	Number of ordinary Council Meetings held	4 meetings held quarterly.	4 meetings held quarterly.		Notice of meetings

KPA: Good Governance and Public Participation						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviations	Evidence
				Achieved		
To promote, support and capacitate all ward committees and Councilors	4 Ward Councilors and Secretaries Forum	Number of Ward Councilors and Secretaries Forum	4 Ward Councilors and Secretaries Forum	4 Ward Councilors and Secretaries Forums were held		Attendance register
				Achieved		
To provide effective council administration and to enhance good governance	Old recording system	High capacity recording system purchased	Recording system purchased by October 2018	Recording system was not purchased	New council building still under construction	
				Not Achieved		
	Obsolete Furniture	New Council furniture purchased	Council furniture purchased by September 2018	Council furniture purchased was not	Incomplete office building	
				Not Achieved		

Special Projects / Mayor's Office

KPA : Good Governance and Public Participation						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviations	Evidence
To initiate, promote and support youth Women & Disabled persons , development programmes	Established VTSD, Youth Council & 26 Wards Youth Forums	Number of youth development initiatives facilitated	Four (4) youth development initiatives per quarter	Four (4) youth development initiatives were not conducted	Insufficient funding	
				Not Achieved		
To promote and celebrate national calendar activities s to enhance Reconciliation, Healing and Renewal	Five (5) Transversal Activities	Number of Transversal Activities held	Five Transversal Activities per Annum	Five Transversal Activities were conducted		Attendance register
				Achieved		
To promote participatory development, accountability and Reconciliation,	2 IGR & Coordinating Forums	Number of Coordinating forum meetings held	Four (4) IGR & Coordination Forum meeting	Four (4) IGR & Coordination Forum meeting were not held	Discontinued by province and replaced by Service Delivery Blitz	Attendance register
				Not Achieved		

KPA : Good Governance and Public Participation						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviations	Evidence
Healing and Renewal (RHR)						
	2 Tsetsepela Programme	Number of Tsetsepela programmes held	Four (4) Tsetsepela Outreach Programmes	Four (4) Tsetsepela Outreach Programmes were held Achieved		Attendance register
	5 Re bona ka Matlho Programme	Number of Re bona ka Matlho held	Eight (8) Re bona ka Matlho Programme conducted	Eight (8) Re bona ka Matlho Programme were not conducted Not Achieved	Congested Municipal Programmes	
	One (2) 10 B 10 Programme	Number of 10 B 10 programmes held	Twelve (12) 10 B 10 programme	Twelve (12) 10 B 10 programme were conducted Achieved		Attendance register
	500 Families	Number of families	800 Food parcels distributed	800 Food parcels were distributed		Reports

KPA : Good Governance and Public Participation						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviations	Evidence
		supported with food parcels		Achieved		
To promote and enhance education and access to Tertiary institutions	30 youth allocated bursaries in 2017/18	Number of bursaries allocated to youth in tertiary education	40 youth learners allocated with bursaries January 2019	40 youth learners allocated with bursaries		Reports
				Achieved		

3.2.1.5 KPA: LOCAL ECONOMIC DEVELOPMENT

Local Economic Development and Planning

KPA: Local Economic Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations if any / Reasons for deviations	Evidence
Build and support Broad-based black Economic Empowerment and Sustainable SMME's business development	STR strategy 2017	Number of Special Economic Zone Business Case Developed	2 Special Economic Zone Business Case Developed	Procurement process were initiated but not followed through to achievement of the target	The feasibility and funding of the project was not realized	
				Not Achieved		
	STR strategy 2017	Number of Catalytic project packaged for funding and investment attraction	1 Catalytic project packaged for funding and investment attraction	Procurement process were initiated but not followed through to achievement of the target	The feasibility and funding of the project was not realized.	
				Not Achieved		

Sustainable Agriculture Development

KPA: Local Economic Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviations	Evidence
Revive and expedite development of alternative high value economic growth sectors	2 Cooperatives supported	Number of agricultural projects facilitated	4 agricultural projects facilitated/supported	4 agricultural projects were not facilitated/supported	Procurement process	
				Not Achieved		
	Agri-Park Master Business Plan	Agricultural hub developed	Established Economic Hub (Agri-park)	Economic Hub (Agri-park) was established		Quarterly Reports/ Council Resolution
				Achieved		

Tourism Development

KPA: Local Economic Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviations	Evidence
Revive and expedite development of			1x tourism projects facilitated/supported	The project was not facilitated owing to financial challenges	Financial limitations	

KPA: Local Economic Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviations	Evidence
alternative high value economic growth sectors	1 Cooperative supported	Number of agricultural projects facilitated		Not Achieved		

Environmental Management

KPA: Local Economic Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviations	Evidence
Explore and implement alternative, eco-friendly and conservation interventions to preserve the environment	52 084 households) (150 businesses) (100 schools) 100% households with access to waste collection	Percentage increase in HH, Schools, businesses, government institutions	100% Collection of solid waste management	100% Collection of waste implemented through an appointed contractor Achieved		Monthly reports

KPA: Local Economic Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviations	Evidence
	services by end June 2018					
	% of cleaning of illegal dumping's	100% cleaning of illegal dumping's	100% cleaning of illegal dumping's	100% cleaning of illegal dumping achieved through the appointment of two contractors		Monthly reports
				Achieved		
	By-laws in place	Development of Environmental management Framework	Final Environmental management Framework	Funding constraints impacted on the target achievement	Procurement process not finalized	
				Not Achieved		
	2012 IWMP	Review of the IWMP	Final IWMP	Funding constraints impacted on the target achievement	Procurement process not finalized	
				Not Achieved		
	Motla landfill site			The department of Environment and Tourism issues a section 24G		

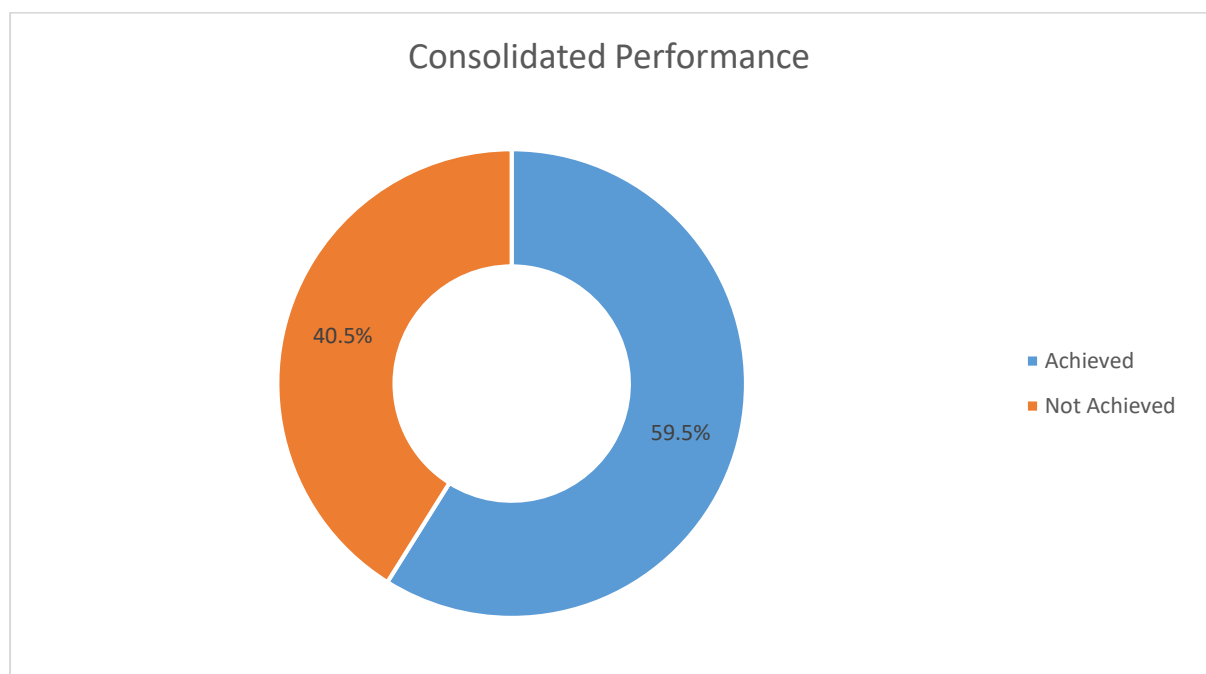
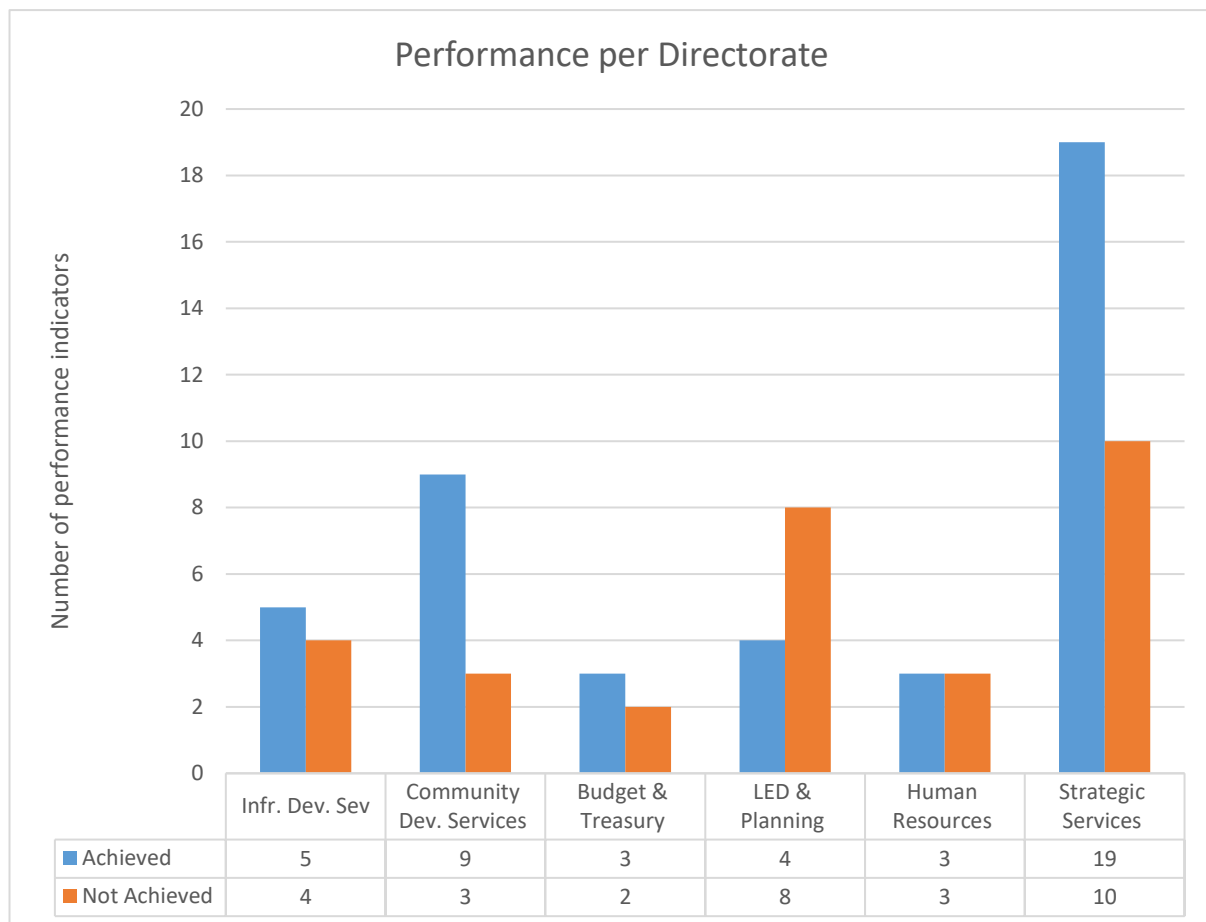
KPA: Local Economic Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (if any) / Reasons for deviations	Evidence
		Maintenance of the landfill site	Cleaning of the landfill site	notice which declined the application of the Landfill site	Land fill site not yet approved	
				Not Achieved		

Town Planning

KPA : Local Economic Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (If any)/ Reasons for deviations	Evidence
Improved service delivery through provision of high quality, reliable and cost-effective infrastructure based on integrated spatial planning	SPLUM Bylaws LUMS SDF	Develop and sustain, spatial, natural and built environment	100% sustained, spatial, natural and built environment	Building plans (21) received were processed and approved Achieved		Proof of approval
	New	Rand Value of revenue collected from town planning, process/ procedure,	R20000.00 revenue collected from town planning, process/ procedure, servitudes registration &	Revenue generated fell below the planned annual target. R18 556,63 was generated through processing of building plans	Applications received were processed by Directorate however the amount generated	

KPA : Local Economic Development						
Strategic Objective	Baseline	Key Performance Indicator	Annual Performance Target	Actual Performance 2018/2019	Deviations (If any)/ Reasons for deviations	Evidence
		servitudes registration & building control applications submitted to the municipality	building control applications	Not Achieved	could not be verified.	

Summarised Performance Assessment			
Directorate / Unit	Planned Indicators	Achieved	Not achieved
Infrastructure Development Services	9	5	4
Community Development services	12	9	3
Budget and Treasury Office	5	3	2
Human Resources and Corporate Services	6	3	3
Local Economic Development	12	4	8
Strategic Services			
• IDP/PMS	9	7	2
• Speaker's Office	7	4	3
• Special Projects (Mayor's Office)	8	5	3
• Internal Audit	5	3	2
Totals	73	43	30



Only 59 % achievement of the overall targets paints a worrying picture. The following factors attribute to the overall poor performance and the Municipality needs to improve on them

Several factors attributed to the outcome:

- The financial crunch experienced in the last quarter
- Capital infrastructure delays
- Lack of proper and legislatively compliant indicator and target adjustment process
- Lack of timely review of performance reporting

3.2.2 Service Providers Strategic Performance

Service providers are evaluated on a rating scale of 1 to 5, with 1 being poor and 5 being excellent. The assessment is done only on capital projects only to reflect the performance with emphasis on service delivery.

Evaluation of Service Providers	
Service provider	Rating
Ditshemega Projects and trading	4
Unity Construction	3
Mavu-Ashu Civil	3
Patrick Makgoka Construction	3
Casnal Civil	3
GR Makopo Projects	3
Katsila Lenaila Projects	3

3.3 COMPONENT A: INFRASTRUCTURE DEVELOPMENT: BASIC SERVICES

3.3.1 Water Provision

Water Provision Highlights	
Highlight	Description
Provision of water supply	Construction of water reticulation pipelines, storage facilities and communal standpipes.

Water provision challenges	
Challenges	Description
Delay	Contractor behind schedule

Water Provision Service Delivery Indicators						
Strategic Objective	KPI	Unit of measure	Ward	Baseline - Actual 2017/2018	Overall Performance 2018/2019	
					Target	Actual
To ensure access to portable water to all municipal households by 2022	No. of pipeline & communal standpipes constructed	Number	5 (previous)	1 584	50 communal standpipes	38 communal standpipes

Water Service Delivery Levels		
Description	2017/2018	2018/2019
Piped water inside dwelling	0	0
Piped water inside yard	24 707	24 707
Using public taps (within 200m from dwelling)	4 339	4 339
Other water supply (Tankering)	52 062	52 062

Employees: Water Services			
Job Level	No of Posts	No of Employees	Vacancies
Water Tanker driver	2	2	0
Semi-skilled	13	13	0

Capital Expenditure: Water Services	
2018/2019	
Capital Project: Ward 5 Water supply	
Budget	R15 000 000.00
Adjustment budget	R28 000 000.00
Special Adjustment	R18 277 000.18
Actual Expenditure	R19 897 484.43
Variance from original budget	R4 987 484.43

Waste Water Provision Highlights	
Highlight	Description
Provision of basic sanitation	Construction of VIP & bio-tech toilets

Waste Water Provision Challenges	
Challenge	Description
Delay	Contractors behind the planned schedule, projects being stopped by local SMME's



Sanitation Service delivery Levels		
Description	2017/2018	2018/2019
VIP toilets	34 761	35 325
Water borne system	2 006	2 006

Employees: Sanitation Services						
Job Level	2017/2018			2018/2019		
	Posts No.	Employees No.	Vacancies	Posts No.	Employees No.	Vacancies
00	01	1044	0	02	01	01

Capital Expenditure: Sanitation Services				
2018/2019				
Project	Basic Sanitation in ward 18	Basic sanitation in ward 23	Basic sanitation in ward 24	Basic sanitation in ward 26
Budget	R5 000 000.00	R5 000 000.00	R5 000 000.00	R5 000 000.00
Adjustment budget	R5 000 000.00	R5 000 000.00	R5 000 000.00	R5 000 000.00
Special Adjustment	R5 000 000.00	R5 000 000.00	R5 000 000.00	R5 000 000.00

Actual Expenditure	R5 030 983.79	R4 471 197.57	R4 949 855.86	R4 361 561.87
Variance from original budget	(R30 983.79)	R528 802.43	R50 144.14	R638 438.13

3.3.2 Waste Management (Refuse collection, waste disposal, street cleaning and recycling)

Waste Management Highlights	
Highlight	Description
Waste Management & Collections	The municipality is collecting in all the 26 Wards, includes households, schools and business. We provide black refuse bags for collection and outsourced waste trucks collect the refuse bags.
Cleaning of Illegal Dumping sites	Two service providers appointed to render the service of cleaning illegal dumping sites.
Waste Buyback Centre	The buyback is completed and awaiting the handover from Department of Environmental Affairs but currently a youth cooperative is using the facility.
Landfill site	The municipality is dumping at unlicensed Mmotla landfill site however the municipality is in the process of licence application.
Waste Management, Environmental, Education, Training and Development, Learnership programmes	Education is conducted in the communities and schools around the municipality. The Environmental learnerships we get from Department of Environmental Affairs and currently there is mass training programmes and Youth Environmental Services (YES).
Waste Management Awareness Campaigns	Campaigns are held quarterly in the communities and the latest one being in Bosplaas.

Waste Management: Challenges	
Challenges	Description
Insufficient funding	The unit should be adequately funded
Implementation of Waste and Environmental bylaws	No personnel to implement
No human capacity	Yes, no dedicated personnel for the unit

Waste Management Service Delivery Levels		
Description	2017/2018	2018/2019
Waste	Once a week collection	Once a week collection
	Intermediary level	Intermediary level

Employees: Waste Management Services						
Job Level	2017/18			2018/2019		
	Posts No.	Employees No.	Vacancies	Posts No.	Employees No.	Vacancies
None	2	2	1	4	0	4

Expenditure: Waste Management Services					
Projects	2018/2019				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value
Nil	26 229 822	0	25 346 345,57	883 476,43	25 346 345,57

3.3.3 Housing

The housing is a competency of the Province's Department of Human Settlements. The Municipality plays the role of oversight or monitoring of all houses build by Department within local jurisdiction. And assist to complete application forms for beneficiaries.

3.4 COMPONENT B: ROADS AND STORMWATER

Highlights: Roads and Storm water	
Highlight	Description
To ensure internal roads are accessible	Construction of internal paving road

Challenges: Roads and Storm water	
Challenges	Description
None	None

Service delivery indicators: Roads and Stormwater						
Strategic Objective	KPI	Unit of measure	Ward	Actual 2017/2018	Overall Performance 2018/2019	
					Target	Actual
To provide adequate internal access roads and storm water by 2022	No. of km of road constructed in Mogogelo	Km	11	4km	2km	2km

Service delivery Levels: Roads and Storm water		
Description	2017/2018	2018/2019
Internal roads	3 km	2km

Access roads	39.1km	68.8km
--------------	--------	--------

Employees: Roads Services				
Job Level	2017/2018	2018/2019		
	No of employees	No of Posts	No of Employees	Vacancies
00 (Manager)	1	0	1	0
01 (Technician)	0	0	0	0
06 (Grader Operators)	2	0	2	0
06 (TLB) Operator's	1	0	1	0
08 (Tippers Drivers)	2	0	2	0
08 (Tipper Driver)	1	0	1	0

Capital Expenditure: Road Services			
2018/2019			
Project	Thulwe bridge	Mogogelo Internal Roads	Mootla Kromkuil
Budget	21 416 652	15 000 000	3 331 195
Adjustment budget	0	0	0
Actual Expenditure	8 148 830	14 789 967	2 331 195
Variance from original budget	13 267 822	210 033	1 000 000

3.5 COMPONENT C: COMMUNITY DEVELOPMENT

Community Development: Highlights	
Disaster Management Unit	
Highlight	Description
1. Community Based Risk Assessment	Managed to conduct 4 CBRA at Makapanstad,
2. Improvement of response and reporting time	Trained 250 Ward Committees on Disaster Management issues the participants were Municipal Health services, Fire and Rescue services and BPDM
3. Risk reduction awareness campaign	Managed to conduct awareness campaign targeting communities and ECDCs Themes: structural fires, Veld and forest fires, Thunderstorm and floods) Procured and distributed 2000 magnetic emergency numbers to road users.
4. Response and Recovery	Procured 100 blankets for disaster/incidents victims
Thusong and Facilities	
Highlight	Description
Functional LISSC forum	Conducted stakeholder forum for Thusong Service centre

Community Development: Highlights	
Sports	
Highlight	Description
Development of 2 x recreational parks and purchasing of park equipment's	2x recreational parks developed at ward 12 and 18 Park equipment's purchased for ward 12 recreational park
Maintenance of Municipal gym	Gym repainted
Maubane cultural village	Electricity and borehole installed
Heritage Day celebration	Held at ward 10 on 24 September 2018
Roads, Transport and Community Safety	
Highlight	Description
1. Awareness material	Procurement of 40 Reflective vests and 1 Gazebo for publicity.
	Hosting of District Lady Driver of the year and Moretele obtained position 2.
	Roads Safety awareness campaign both Easter and Festive.
	District transport month Moretele obtained position 2.
	Debushing with Stakeholders in ward 3 and 12
	Resuscitation of community safety forum.

Library.	
Highlight	Description
Renovations or maintenance of 3 x libraries	Three libraries renovated or maintained thus Papi Ntjana (ward 09), legkraal (ward 10) and Mphebatho library (ward 14) July 2019
Development and Maintenance of new library	Lebotloane library was development and handed over to the municipality in 26 April 2019
Human Rights Day celebrated	Event was celebrated at Mphe Batho in April 2019(ward 14)
Health Unit	
Highlight	Description
Awareness campaigns	Health Awareness campaigns at ward 20 and 21
Social Development Unit	
Highlight	Description
Poverty alleviation program	<ul style="list-style-type: none"> • Empowerment of 390 EPWP beneficiaries (Phepafatsa Moretele) with stipend to alleviate poverty; • Financial Management training for 390 beneficiaries were conducted.
Cemetery development	Three cemeteries were upgraded: - Cyferskuil (ward 3), Bosplaas (ward 22) & Moeka (ward 25).
Support to Women, Children and People with Disabilities	<ul style="list-style-type: none"> ❖ Launching of Women, Children, Older Persons and People with Disabilities at Ward based and Municipal level. ❖ Hosted Moretele Older Persons Golden games ❖ Supported celebration of Child Protection month ❖ Supported awareness campaign: Disability month

Community Development: Challenges

Disaster Management Unit	
Challenges	Description
Veld fire management	Moretele Fire Protection Association structure is inactive, and issues of veld and forest fire management are not attended.
Inactive Disaster Management Advisory forum	<p>This is a legislated forum which advice municipality in all disaster related matters. The forum is not functional due to poor attendance,</p> <p>With consultation of some members and other relevant offices, the Unit has opted to combine Community Safety Forum and Disaster Advisory forum</p>
Outdated Disaster Management plan	The Municipality is currently standing with 2010 Disaster Advisory forum which was done by BPDM as part of municipal support. The plan needs to be reviewed.

Community Development: Challenges	
Thusong and Facilities	
Challenges	Description
Maintenance of 6 Community facilities (Halls)	No halls were maintained nor renovated as planned (SDBIP 2018/2019) due lack of funds (Jonathan ward 7, Mossmay ward 16, Swartboom ward 2, Cyferskuil ward 3, Sutelong ward 5, and Mmukubanye ward 4)
Sports	
Challenges	Description
Maintenance of sports facilities	No facility was maintained as planned on (sdbip 2018/19) due to lack of funds (mmakaunyane stadium ward 08; makapanstad stadium, ward 20) and tladistad park (ward 10)
Sports art and culture program	Some programs were forced to be postponed and Only supported the Departmental and district programs due to lack of funds to perform
Library	
Challenges	Description
Lack of ICT Connection	No network connections
Printing and copying Machines	Redundant photo copying and printing machines
Social Development Services	
Challenges	Description
Lack of Protective clothing for Phepafatsa Moretele.	The protective clothing procured did not cater for Phepafatsa Moretele EPWP beneficiaries due to non-augment from Municipality.
Lack of equipment for Phepafatsa Moretele.	No equipment was procured for Phepafatsa Moretele EPWP beneficiaries due to non-augment from Municipality.
Road Transports and Community Safety	

Challenges	Description
Insufficient Budget	Unable to support the re-launching of CPFs (transportation of participants / members)

Community Development: Challenges	
Health	
Challenges	Description
Inadequate staffing and budget	Increase budget to cater for other programs and activities

Community Development: Employees		
Disaster Management Unit		
Post Level	Occupied	Vacant
Manager	1	
Disaster officer		1
Fire and Disaster driver		1
Disaster coordinator	1	
Health		
Post Level	Occupied	Vacant
Section 56		
Senior managers		
Managers		1
Health officer	1	

Social Development Services		
Post Level	Occupied	Vacant
Section 56		1 (Acting Director)
Social Services Officer	1	
Cemeteries Coordinator	1	
Social Services coordinator	1	
Sports		
Post Level	Occupied	Vacant
Section 56		
Senior managers		
Managers	1	
Facility care taker		1
Sports officer	1	
Sports coordinator	1	
Librarian	1	
Assistant Librarian	1	
Gym Assistance	1	
Gym assistant	3	
Support Staff - Supervisor	1	
Support Staff	7	

Capital Expenditure: Community Development Service					
Capital Projects	2018/2019				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value
Ward 3,9 & 22 Sports facilities and Ward 1 Community hall	14 196 579	0	12 266 036	1 930 543	14 196 579

3.6 COMPONENT D: LOCAL ECONOMIC DEVELOPMENT

Highlights: Local Economic Development	
Highlight	Description
Municipal-wide waste management services	<ul style="list-style-type: none"> • The curbside collection of refuse once a week from households • The curbside collection of refuse once a week from businesses • The curbside collection of refuse once a week from schools and pre schools • The curbside collection of refuse once a week from government institutions • The curbside collection of refuse once a week from the streets
Illegal dumping and cleansing	<ul style="list-style-type: none"> • Cleaning of the illegal dumping sites in all identified spots: • Emptying of skip bins and cleaning its surroundings • Placing of Environmental signs • Applications of pesticides on municipal control skips

--	--

Challenges: Local Economic Development: Planning	
Challenges	Description
Funding limitations on programme performance	<p>The financial position of the municipality in the 2018/2019 period impacted negatively on the overall performance of the LED and Planning Directorate.</p> <p>The Agriculture, Tourism, SMME's development were severely impaired</p>

Employees: Local Economic Development		
Post Level	Occupied	Vacant
Section 56/57	1	0
Manager: Agriculture and Tourism	1	0
SMME and Job Creation Coordinator	1	0
Land Use Officer	1	0
Tourism Coordinator	1	0
Manager: Environmental Management	0	0

LED Secretary	1	0
Agriculture Coordinator	1	0
Manager: SMME s and Job creation	1	0
Town Planner	0	0
Building Inspector	0	0
GIS Specialist	0	0

Chapter 4: Organizational Development Performance

4.1 NATIONAL KEY PERFORMANCE INDICATORS

The table below indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and Performance Management Regulations of 2001 and Section 43 of the MSA.

National KPIs - Municipal Transformation and Organisational Development		
National Key Performance Indicators	Municipal Achievement	
	2017/2018	2018/2019
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	3	2
The percentage of a municipality's personnel budget (payroll) spent on implementing its workplace skills plan	100%	98%

National KPIs - Good Governance and Public Participation Performance	
National Key Performance Indicator	Municipal Achievement
The percentage of a municipality's capital budget spent on capital projects identified for a particular financial year in terms of the municipality's IDP (after rolling over projects)	2018/2019
	98%

Good Governance and Public Participation Performance Highlights	
Highlight	Achieved
Training of Ward Committees	yes
Imbizos	Yes
Ward committee secretary's forum	Yes
Best public participation municipality in the province	No
Ward and public meetings itinerary	Yes

Stipend	Yes
Staff	Yes

Good Governance and Public Participation Performance Challenges	
Challenge	Actions to address challenge
Filling of critical positions	Appointments on all acting positions
Improve supply chain processes	Appointments and payments of service providers according to the stipulated period
Compliance with prescribed legislations	Encourage timeously reporting

4.2 COMPONENT A: INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Moretele Municipality currently employs 228 officials (excluding non-permanent positions), who individually and collectively contribute to the achievement of the Municipality's objectives. The primary objective of Human Resource Management is to render an innovative Human Resources service that addresses both skills development and the administrative function.

4.2.1 Employment Equity

In Chapter 3, Section 15(1) of the Employment Equity Act of 1998 it is stated that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national performance indicators also refer to: "Number of people from employment equity (EE) target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan".

2018/19 EE targets/actual appointments by racial classification							
African		Coloured		Indian		White	
Target	Actual	Target	Actual	Target	Actual	Target	Actual
07	07	0	0	0	0	0	0

EE targets/actual appointments by gender classification			
Male (Including disabilities)		Female (Including disabilities)	
Target	Actual	Target	Actual
03	03	04	04

EE according to positions filled in 2018/2019					
Description	African	Coloured	Indian	White	Total
Number according to positions filled	7	0	0	0	7
% according to positions filled	100%				100%

EE according to Race and Occupational Levels									
Occupational levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	2	0	0	0	2	0	0	0	4
Senior Management	2	0	0	0	2	0	0	0	4
Professionally qualified and experienced specialists and middle management	0	00	0	0	0	0	0	0	0
Skilled technically and academically qualified workers, junior management, supervisors, foreman and superintendents	0	0	0	0	1	0	0	0	1
Semi-skilled and discretionary decision-making staff	1	0	0	0	1	0	0	0	2
Unskilled and defined decision-making staff	0	0	0	0	0	0	0	0	0
Total permanent	3	0	0	0	3	0	0	0	6
Non-permanent employees									
Grand total	8				9				17

4.2.2 Vacancy Rate

The approved organogram for the Municipality had 178 posts for the 2018/2019 financial year. The actual posts filled are indicated in the tables below by post level and by functional level. The posts were vacant at the end of 2018/2019 resulting in a vacancy level of 17 %.

Vacancy rate per post and functional level		
Per post level		
Post level	Filled	Vacant
Contract	0	03
PL 00	0	09
PL 02	0	01
PL 03	0	03
PL 04	0	02
PL 06	0	07
PL 08	0	05
	0	
Total	0	28

Vacancy rate Per functional level		
Functional level	Filled	Vacant
Municipal Manager	Filled	0
Financial Services (CFO)	Filled	0
Corporate Services	Filled	0
Technical Services	Filled	0
Local Economic Development	Filled	0
Community Development	Filled	0
Total	06	0

4.2.3 Turnover rate

A high staff turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organizational knowledge.

Staff Turnover Rate within the Municipality				
Financial year	Total no. appointments at the end of each financial year	New appointments	No of terminations during the year	Turn-over rate %
2017/2018	11	11	7	3%
2018/2019	07	07	5	2%

4.3 COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE LEVELS

Managing the municipal workforce refers to analyzing and coordinating employee behavior.

4.3.1 Injuries

An occupational injury is a personal injury, disease or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injuries will influence the loss of man-hours and therefore financial and productivity performance. The table below indicates the total number of occupational injuries within the different departments.

Total number of occupational injuries within the different departments		
Department	2017/2018	2018/2019
Municipal Manager	0	1
Financial Services	1	0
Corporate Services	0	0
Technical Services	0	0
Local Economic Development	0	0
Community Development	0	0
Total	1	1

4.3.2 Sick Leave

The number of day's sick leave taken by employees has service delivery and cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified, corrective action can be taken. The table below indicates the total number of sick leave days taken per department.

Total number of sick leave days taken per department		
Department	2017/2018	2018/2019
Municipal Manager	40	61
Financial Services (CFO)	106	256
Corporate Services	106	125
Technical Services	96	66
Local Economic Development	0	15
Community Development	29	144
Total	377	667

4.3.3 Policies and plans reviewed and approved

HR Policies and plans reviewed and approved	
Name of policy	Date approved/revised
Approved policies	
Employment Equity Policy	April 2018
Training and Development Policy	April 2018
Occupational Health and Safety Policy	April 2018
Travel and Subsistence Policy	April 2018
ICT Strategy	April 2018
HRD Strategy	April 2018
Records Management Policy	April 2018
ICT Policies	April 2018

EAP Policy	April 2018
Incapacity: Ill Health policy	April 2018
Fleet Management Policy	April 2018
Leave Management Policy	April 2018
Overtime Policy	April 2018
Internal Bursary Policy	April 2018
Policies still to be developed	
Labour Relations Policy	June 2020
Retirement Policy	June 2020
Employment Equity Policy	June 2020

IT Policies reviewed and approved	
Name of policy	Date approved/revised
Approved policies	
Security Policy	28 October 2018
Patch Management Policy	28 October 2018
Third Patch Information Security Policy	28 October 2018
Change Control Policy	28 October 2018
Business continuity and Disaster Recovery Planning Policy	28 October 2018
Remote Access Policy	28 October 2018
External Network Connection Policy	28 October 2018
User Creation Policy	28 October 2018
Anti-Virus Policy	28 October 2018
Change Management Policy	28 October 2018
Risk Management Policy	28 October 2018

4.4 COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the Municipal Systems Act 32 of 2000 requires that “a municipality must develop its human resource capacity to a level that enables it to perform their functions and exercise their powers in an economical, effective, efficient and accountable way, and for this purpose must comply with the Skills Development Act 81 of 1998 and the Skills Development Levies Act 28 of 1999”.

4.4.1 Skills matrix

The table below indicates the number of employees that received training during the year under review.

Skills matrix					
Occupational level	Gender		Number of employees identified for training at start of year	Number of employees that received training	
	Female	Male		Female	Male
Legislators	0	0	0	0	0
MM and Section 57 Managers	0	1	1	0	1
Senior officials/Managers	14	10	26	14	10
Professionals	3	0	5	3	0
Technicians	0	0	0	0	0
Clerks and Administrative Officials	13	5	21	13	5
Service and sales workers	0	0	0	0	0
Plant and machine operators and drivers	0	0	0	0	0
Elementary occupations	4	16	22	4	16
Sub-total					
Total	65		75	65	

Note to the summary:

4.4.2 Skills Development - Training provided

The Skills Development Act of 1998 and the Municipal Systems Act of 2000 require from employees to supply employees with the necessary training to develop its human resource capacity. Section 55(1)(f) states that as head of administration the Municipal Manager is

responsible for the management, utilization and training of staff. The table below summarizes the targeted and actual number of employees in the different occupational categories that underwent skills training during the financial year under review, in terms of either learnerships and/or skills programmes/short courses.

Skills Development by Occupational Category									
Occupational categories	Gender		Training provided in 2018/2019						
			Learnership s/ Academic Programmes		Skills Programmes & Other Short Courses		Total		
	F	M	Actual	Target	Actual	Target	Actual	Target	Variance
Legislators	0	0	0	0	0	0	0	0	
MM and s.57 Managers	0	0	0	0	0	0	0	0	0
Senior officials /Managers	0	1	1	1	0	0	1	1	0
Professionals	1	1	2	2	0	0	0	0	0
Technicians	0	0	0	0	0	0	0	0	0
Clerks and Administrative Officials	13	5	18	21	0	0	0	0	0
Service and sales workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and drivers	0	0	0	0	0	0	0	0	0
Elementary occupations	3	17	14	20	0	0	0	0	0
Total	17	24	35	44	0	0	1	1	0

4.4.3 Skills Development - Budget Allocation

The table below indicates that 100% of the total amount of R2.1m was spent on skills development during the year under review.

Skills development budget versus actual spent			
Total personnel budget	Total allocated for skills development	Total spent	% Spent
2017/2018	2.3M	2.3M	100%
2018/2019	2.1m	2.1m	100%

4.4.4 MFMA Competencies (Minimum Competency Requirements)

In terms of Section 83(1) of the MFMA the accounting officer, senior managers, the chief financial officer, non-financial managers and other financial officials of a municipality, including supply chain practitioners and asset management practitioners, must meet the prescribed financial management competency levels that are key to the successful implementation of the MFMA. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, with the collaboration of various stakeholders and role-players in the local government sphere, developed an outcomes-based NQF Level 6 qualification in municipal financial management. In terms of Government Notice 493 dated 15 June 2007, “No municipality or municipal entity may, with effect from 1 January 2013, employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these regulations”.

Minimum Competency Requirements		
Post	Comment on achievement	Detail
Municipal Manager	Completed	28 Unit Standards
CFO	Completed	28 Unit Standards
HR Director	Completed	Lgseta to compile SOR
IDS Director	Completed	16 Unit Standards
LED Director	Completed	Lgseta to combine 2 SOR into 1
CDS Director	Completed	28 Unit Standards

No of Employees Meeting Minimum Competency Requirements	
Directorate	No of Employees
Human Resources	05
IDS	02
Local Economic Development	03
CDS	03
BTO	40
Municipal Manager	07

4.4.5 Skills Development - Budget Allocation

The table below indicates that 97% of the total amount of R2.1M was spent on skills development during the year under review.

Skills development budget versus actual spent			
Total personnel budget	Total allocated for skills development	Total spent	% Spent
2017/2018	2.3M	2.3M	100%
2018/2019	2.102,227,00	2.033,793,56	97%

4.4.6 Personnel Expenditure

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency.

Personnel expenditure as a percentage of total operating expenditure			
Financial year	Total Expenditure: Salary and Allowances	Total operating expenditure	Percentage %
2018/2019	111 435 810	530 150 052	21 %

Summary of Councillor and staff benefits				
Financial year	2017/2018		2018/2019	
Description	Original Budget	Actual	Original Budget	Actual

Councillors (Political Office Bearers) (R)				
Salary	11,669,523	10,540,029	11,092,039	7,757,871.69
Pension Contributions and medical Aid	2,749,938	1,790,314	1,957,418	172,281.60
Motor vehicle allowances	4,862,301	4,169,858	4,349,819	4,271,776.21
Cell phone allowances	1,627,106	2,310,229	2,121,600	2.308,800
Housing allowances	0	0	0	0
Other benefits or allowances	116,696	0	187,200	0
In-kind benefits	0	0	0	0
Sub Total	21,025,564	18,837,956	19 708 078	19 456 721
% Increase/(decrease) from 2017/2018 to 2018/2019: 3% increase				
Senior Managers of the Municipality (R)				
Salary	8,394,947	5,896,535	6,127,393	4.323,901
Pension Contributions	0	0	0	0
Medical Aid Contributions	0	0	0	0
Motor vehicle allowances and Cell phone allowance	0	0	0	0
Cell phone allowances	0	0	0	0
Housing allowances	0	0	0	0
Other benefits or allowances	0	0	510,616	0
In-kind benefits	0	0	0	0
Sub Total	8,394,947	5,896,535	510,616	4,323,901
% Increase/(decrease) from 2017/18 to 2018/19: 4% decrease				
Other Municipal Staff				
Salary	61,768,966	79,669,128	50,589,005	77,818,746.83
Pension Contributions	11,147,177	11,065,891	13,320,955	4,306,115.69

Medical Aid Contributions	6,649,056	5,229,406	9,576,000	5,721,798.58
Motor vehicle allowances	6,957,810	10,338,851	9,490,217	10,452,485.83
Cell phone allowances	962,789	1,080,000	1,295,787	1,148,704.74
Housing allowances	132,568	315,539	2,582,400	364,478.40
Other benefits or allowances	0	0	9,983,000	0
In-kind benefits	0	0	0	0
Sub Total	87,618,366.18	107,698,817	87,852,364	99,812,330
% Increase/(decrease) from 2017/2018 to 2018/2019: 5% Decrease				
TOTAL FOR MUNICIPALITY	87,618,366.18	107,698,817	87,852,364	99,812,330
% decrease for Municipality 5%				

Chapter 5: Financial Performance

This chapter provides details regarding the financial performance of the municipality for the 2018/2019 financial year.

The municipality takes inflationary pressures into account when tariffs and operational expenditure are budgeted for.

Consultancy Arrangements with the Highest Cost Implications for 2018/2019		
Consultancy arrangement	Cost	Reason for engagement
Flame It Strategy	R 41 237 889.73	ICT Services
Altimax (Pty) Ltd	R 1 811 222.62	Provision of Accounting Services
JBFE	R1 246 180.15	GRAP COMPLIANT Fixed Assets Register
Ikageng Web Services and Graphic Design Solutions	R 6 978 460.11	Call Canter
Vesta Technical Services (Pty) Ltd	R 1 215 469.47	Provision of Accounting Services

4.5 COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE

The Statement of Financial Performance provides an overview of the financial performance of the Municipality and focuses on the financial health of the Municipality.

FINANCIAL SUMMARY

The table below indicates the summary of the pre-audited financial performance for the 2018/19 financial year.

Summary of the Financial Performance for the 2018/2019 Financial Year										
Description	2017/2018					2018/2019				
				Variance					Variance	
	Budget R'000	Adjusted budget R'000	Actual R'000	Budget et %	Adjustm ent budget %	Budget R'000	Adjusted budget R'000	Actual R'000	Budget et %	Adjustment budget %
Property rates	47,798,763	47,798,763	45,248,695.81	94%	94%	49 380 000	49 380 000	46 901 609	95%	95%
Service charges	47,267,848	47,267,848	47,849,539.51	101%	101%	483 881 000	483 881 000	452 896 949	94%	94%
Rental of facilities and Equipment	113,466	113,466	90,855.79	80%	80%	118 003	118 003	228 714	187%	187%

Interest Received	23,868,961	23,868,961	30,314,668.62	127%	127%	26 075 000	26 075 000	25 003 17	41%	38%
Transfers recognised	485,660,576	485,660,576	467,637,989.29	96%	96%	483 881 000	483 881 000	452 896 949	94%	94%
Other own revenue	363,359	363,359	1,704,806.66	469%	469%	12 497 000	12 497 000	19 725 736	158%	158%
Employee costs	110,382,084	110,382,084	106,851,381.35	97%	97%	134 592 380	103 476 000	111 435 810	108%	108%
Remuneration of councillors						19 708 078	19 708 078	19 313 496	98%	98%
Debt impairment	44,653,212	44,653,212	0	0%	0%	46 439 339	46 439 339	59 772 352	129%	129%

Depreciation and asset impairment loss	40,290,851	40,290,851	0	0%	0%	41 902 483	41 902 483.00	73 002 100	174%	174%
Finance charges	9,386,209	3,366,209	2,371,164.00	20%	70%	200 000	200 000.00	2 772 612	1386%	1386%
Material and bulk purchases	49,623,666	57,168,281	53,991,635.35	108%	94%	46 368 000	54 639 000	47 735 752	102%	87%
Contracted services	41,809,879	50,009,879	56,286,338.98	134%	112%	49 497 000	51 150 000	159 533 942	322%	311%
Other expenditure	140,542,263	130,956,635	119,671,151.16	85%	91%	122 786 000	109 052 000	43 872 901	35%	80%
Total Expenditure	457,713,728	456,857,670	358,009,616.71	78%	78%	461 492 000	426 566 000	530 150 052	114%	114%

Surplus/(Defi cit)	160,900, 738	48,406,79 6	234,838,3 03.06	145%	158%	138 908 000	173 834 000	38 765 838	27%	22%
Transfers recognised - capital	175 837 990	216 097 510	142 143 7 19	80%	65%	197 384 000.00	173 801 126.00	136 267 387	69%	78%
Contributions recognised - capital & contributed assets										
Surplus/(Defi cit) after capital transfers & contributions	160,900, 738	148,406,7 96	234,838,3 03	145%	158%	138 908 000	173 834 000	38 765 838	28%	22%
Surplus/(Defi cit) after taxation	160,900, 738	148,406,7 96	234,838,3 03.06	145%	158%	138 908 000	173 834 000	38 765 838	28%	22%

Attributable to minorities										
Surplus/(Deficit) attributable to municipality	160,900,738	148,406,796	234,838,303.06	145%	158%	138 908 000	173 834 000	38 765 838	28%	22%
Share of surplus/(deficit) of associates										
Surplus/(Deficit) for the year	160,900,738	148,406,796	234,838,303.06	145%	158%	138 908 000	173 834 000	38 765 838	28%	22%
Capital expenditure and funds sources						138 908 000	173 834 000	38 765 838	28%	22%
Capital expenditure:										

Transfers recognised - capital										
Contributions recognised - capital & contributed assets	1758379 90	216097510	142143719 .00	80%	65%	197 384 000.00	173 801 126.00	136 267 387	69%	78%
Borrowing	R0	R0	R0	0%	0%	0	0			
Internally generated funds	71,455,9 49.00	57,685,04 2.00	25,170,47 6.61	35%	43%	30 500 000	6 827 126	6 827 126	20%	20%
Total sources of capital funds										
Financial position										
Total current assets	96,648,9 04.24	67,056,58 9.99	114 458 912	118%	170%	85 677 000	139 596 000	56 845 594	41%	66%
✕ Total non-curre	1,088,70 8,632	1,153,029 ,836	1 109 954 563	101%	96%	892 030 000	1 049 759 000	1 160 412 787	130%	111%

nt assets										
Total current liabilities	43,613,8 34	43,613,83 4	163 028 854	379%	379%	40 997 000	40 9970 00	235 876 763	56%	56%
Total non- current liabilities	2,814,73 0.36	12,132,62 1	8 539 883	120%	67%	2 984 000	2 984 000	37 527 830	1257 %	1257%
Community wealth/equit y	1,138,92 8,974	1,164,340 ,122	938 385 826	82%	80%	933 726 134	1 145 374 438	943 853 788	101%	82%
Cash flows										
Net cash from(used) operating activities	188,170, 984.50	178,936,5 36.21	77 644 429	41%	43%	184 988 000	221 915 000	173 146 860	94%	78%
Net cash from(used) investing activities	208,437, 989	225,071,9 89.90	4 198 056	1.7% %	1.7%	197 384 000	173 801 100	141 955 994	72%	81%

Net cash from(used) financing activities	47,000,000.00	72,000,000.00	(116 450 148)	246%	116%	R0	R0	R3 784 885	0	0
Cash/cash equivalents at the year end	91,129,168.52	1,240,378.28	21 293 625	2100 %	23%	12 395 000	60 509 000	48 114 000	388%	80%

Performance of Actual Figures against Budgeted Figures								
Financial Year	Revenue				Expenditure			
	Budget R'000	Actual R'000	Difference R'000	%	Budget R'000	Actual R'000	Difference R'000	%
2018/19	600 400 000	579 061 673	21 338 327	96%	426 566 000	530 150 052	103 584 052	124%

4.5.1 Revenue collection by Vote

Revenue Collection by Vote

Vote Descripti on		Original budget	Adjusted budget	Actual	Origin al budge t	Adjust ed budget	Origin al budge t	Adjust ed budget	Actual	Origin al budge t	Adjust ed budget
		R'000									
Vote 1		0	0	0	0	0	0	0	0	0	0
Vote 2		0	0	0	0	0			0	0	0
Vote 3		353,411,69 0	355,991,6 90	336,979,534. 29	95%	94%	378 5983 84	378 5983 84	340 511 088. 84	90%	90%
Vote 4		0	0	0	0	0	0	0	0	0	0
Vote 5		247,976,20 0	247,976,2 00	253,817,995. 94	102%	102%	220 63 4 161	220 6341 61	176 521 977. 55	80%	80%

Vote 6	17,226,576	1,376,576	2,050,389.54	11%	148%	1 049 000.00	1 049 000.00	4 112 452.33	392%	392%
Vote 7	0	0	0	0	0	0	0	0	0	0
Total Revenue by Vote	618,614,4 66	605,264,4 66	592,847,919 .77	96%	98%	427 8 97 545	427 89 7 545	521 343 832 .37	122%	122%

Variances are calculated by dividing the difference between actual and original/adjusted budget by the actual

4.5.2 Revenue collection by Source

Revenue Collection by Source											
Source Descripti on		Original budget	Adjusted budget	Actual	Origin al budge t %	Adjust ed budget %	Origin al budge t	Adjust ed budget	Actual	Origina l budget %	Adjuste d budget %
		R'000									

Property rates	47,798,763	47,798,763	45,248,695.8 1	94%	94%	49 379 681.00	49 379 681.00	46 901 609	93%	93%
Property rates - penalties & collection charges	0	0	0	0	0	0	0	0	0	0
Service charges - electricity revenue	0	0	0	0	0	0	0	0	0	0
Service charges - water revenue	28,424,117	28,424,117	28,488,158.5 1	100%	100%	21 680 091	21 680 091	29 543 424.93	138%	138%
Service charges - refuse revenue	18,843,731	18,843,731	19,361,381	102%	102%	19 265 944	19 265 944	2 0 480 604.00	105%	105%

Rental of facilities and equipment	113,466	113,466	162 875	143%	143%	118 003	118 003	228 714	194%	194%
Interest earned - external investments	12,532,891	12,532,891	21,992,724.47	175%	175%	13 577 555.00	13 577 555.00	2 304 384.68	16%	16%
Interest earned - outstanding debtors	11,336,070	11,336,070	8,321,944.15	73%	73%	11 789 512.00	11 789 512.00	2 231 354.00	18%	18%
Dividends received	0	0	0	0	0	0	0	0	0%	0%
Fines	0	0	0	0	0	0	0	0	0%	0%
Licences and permits	0	0	0	0	0	0	0	0	0%	0%
Agency services	0	0	0	0	0	0	0	0	0%	0%

Transfers recognised - operational	499,010,576	485,660,576	467,637,989.29	94%	96%	311 497 000.00	311 497 000.00	293 880 000.00	94%	94%
Other revenue	363,359	363,359	797 836	219%	219%	589 759	589 759	2 873 362	487%	487%
Gains on disposal of PPE	188,292	188,292	0	0	0	0	0	0	0%	0%
Total Revenue by Source (excluding capital transfers and contributions)	618,614,466	605,264,466	592,847,919.77	96%	98%	600 281 545	600 281 545	389,730,771.36	64%	64%
<i>Variances are calculated by dividing the difference between actual and original/adjusted budget by the actual</i>										

4.5.3 Financial Performance of Operational Service

Operational Services Performance - Operating Costs										
Services Description	Original budget R'000	Adjusted budget R'000	Actual R'000	Original budget %	Adjusted budget %	Original budget R'000	Adjusted budget R'000	Actual R'000	Original budget %	Adjusted budget %
Operating costs:	144,972,144	143,322,715	86,563,502	59%	60%	125 708 915.00	140 072 875.00	94 806 482.52	72%	67%
Water and Sanitation										
Electricity	11,142,155	12,670,222	13,661,316.45	122%	107%	13 177 029.00	8 942 579.00	8 409 633.87	63%	94%
Waste Management	5,782,933	5,891,752	2,642,654.23	46%	45%					
Housing	0	0	0	0	0	0	0	0	0	0

Component A: Sub-Total	161,897,232	161,884,689.00	102,867,472.68	63%	68%	138 885 944	149 015 454	103 216 116.39	75%	69%
Waste Water (Storm water drainage)										
Roads	24,921,389	24,468,978	6,203,951.34	24%	25%	30 016 092	29 447 556	6 497 749.17	21%	22%
Transport	1,745,592	1,953,592	1,501,611.19	86%	76%	1 362 204.00	1 198 159.00	1 330 269.69	98%	111%
Component B: Sub-Total	26,666,981	26,422,570	7,705,562.53	28%	29%	31 378 296.00	30 645 715.00	7 828 018.86	24.5%	25.5%
Planning	22,345,629	21,791,787	22,339,914.76	0	103%	5 444 394.00	5 191 696.00	3 666 803.49	80%	70%

Local Economic Developme nt	4,838,489	5,189,989	1,802,343.0 6	37%	34%	34 237 312.00	33 846 337.00	24 757 762. 92	70%	73%
Compon ent C: Sub- Total	27,184,1 18	26,981,776	24,142,257 .85	88%	89%	39 681 706	39 038 033	28 424 566 .41	72%	73%
Community & Social Services	R7,404,22 5	R8,117,921	R8,032,059. 93	108%	99%	37,974,076 .08	37,730,564 .55	22 626 888 .92	58%	59%
Environmen tal Protection	0	0	0	0	0	0	0	0	0	0
Health	0	0	0	0	0	483,956	489,262	582,187.28	120%	118%
Security and Safety	1,199,047	1,199,047	1,290,430.4 0	107%	107%					
Sport & Recreation	13,447,65 9	13,447,659	4,881,502.4 1	36%	36%	14 622 544.00	14 596 541.00	3 753 076.7 2	42%	42%

Library	1,519,375	1,519,375	934,222.35	61%	61%	1 699 155.00	1 683 436.00	786 262.48	46%	46%
Corporate Policy Offices and Other	98,393,87 8	100,274,711	99,683,013. 05	101%	99%	95 067 274.00	63 915 634.00	37 789 679. 54	38%	59%
<p><i>In this table operational income (not levies or tariffs) is offset against operational expenditure leaving a net operational expenditure total for each service. Variances are calculated by dividing the difference between actual and original /adjustments budget by the actual.</i></p>										

4.6 FINANCIAL PERFORMANCE PER MUNICIPAL FUNCTION

4.6.1 Storm water and Roads

Financial Performance: Storm Water and Roads								
Descripti on	Original Budget	Adjusted Budget	Actual	Variance to Budget	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000							
Total Operating Revenue (excluding tariffs)								
Expenditure:								
Employees	3,510,230	3,510,230	5,474,524.0 2	1,964,294 .02	5,985,246.01	5,985,246.01	6 064 639.74	-79 393.73
Repairs and maintenance	1,583,437	1,531,026	672,824.15	858,201.5 0	1,646,773.86	1,146,773.86	410 880.98	735 892.88
Other	547,777	147,777.0 0	91,173.83	56,603.17	20 150, 273	20 081 786.01	22 228.45	20 059 557.56

Total Operating Expenditure	5,148,44 4.00	5,189,03 3.00	6,238,522	2,879,09 8.69	27,782,341.8 8	27,213,805.88	6 497 749.1 7	20 716 056.7 1
Net Operational (services) Expenditure	5,148,44 4.00	5,189,03 3.00	6,238,522	2,879,09 8.69	27,782,341.88	27,213,805.8 8	6 497 749.1 7	20 716 056.7 1
<i>Variances are calculated by dividing the difference between actual and original budget by the actual</i>								

4.6.2 Project Management Unit

Financial Performance: Project Management Unit								
Description	Original Budget	Adjusted Budget	Actual	Variance to Budget	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000							
Total Operating Revenue (excluding tariffs)	131,845,000	131,845,000	179177132.69	135%	112 384 000	112 384 000		

Expenditure:											
Employees	5,319,594	5,319,594	1,828,506.12	34%	5,598,392.25	5,598,392.25	4 386 442.95	1 211 949.30			
Repairs and maintenance	0	0	0	0	0	0	0	0			
Other	463,339	572,158	91,580.78	16%	268,670.87	174,569.87	1 389 705.13	1 215 135.26			
Total Operating Expenditure	5,782,933	5,891,752	2,642,654.23	45%	5,867,063.12	5,772,962.12	5 776 148.08	-3 185.95			
Net Operational (services) Expenditure	5,782,933	5,891,752	2,642,654.23	45%	5,867,063.12	5,772,962.12	5 776 148.08	-3 185.95			
<i>Variances are calculated by dividing the difference between actual and original budget by the actual</i>											

4.6.3 Electricity

Financial Performance: Electricity									
Description		Original Budget	Adjusted Budget	Actual	Variance to Budget	Original Budget	Adjusted Budget	Actual	Variance to Budget
		R'000							
Total Operating Revenue (excluding tariffs)		0	0	0	0	0	0	0	0
Employees		0	0	0	0	0	0	0	0
Repairs and maintenance		3,166,873	3,421,671.00	5,661,599.00	-2,239,928	3,558,537.63	2,329,287.40	1 503 667.00	825 620.40
Other		8,241,776	6,968,507	7,999,717.45	-1,031,210	8,571,445.93	5,566,245.93	6 905 966.87	- 1 339 720.94
Total Operating Expenditure		11,142,155	12,670,222	13,661,316.45	- 991,094.45	13,177,028.96	8,942,578.72	8 409 633.87	514 100.54

Net Operational (services) Expenditure	11,142,155	12,670,222	13,661,316.45	- 991,094.45	13,177,028.96	8,942,578.72	8 409 633.87	514 100.54
Variances are calculated by dividing the difference between actual and original budget by the actual								

4.6.4 Housing

Financial Performance: Housing									
Description		2017/18				2018/2019			
		Original Budget	Adjusted Budget	Actual	Variance to Budget	Original Budget	Adjusted Budget	Actual	Variance to Budget
		R'000							
Total Operating Revenue (excluding tariffs)		0	0	0	0	0	0	0	0
Expenditure:						0	0	0	0

Employees	0	0	0	0	0	0	0	0
Repairs and maintenance	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
Total Operating Expenditure	0	0	0	0	0	0	0	0
Net Operational (services) Expenditure	0	0	0	0	0	0	0	0
<i>Variances are calculated by dividing the difference between actual and original budget by the actual</i>								

4.6.5 Water

Financial Performance: Water									
Description		2017/18				2018/2019			
		Original Budget	Adjusted Budget	Actual	Variance to Budget	Original Budget	Adjusted Budget	Actual	Variance to Budget
		R'000							

Total Operating Revenue (excluding tariffs)	116,131,200	116,131,200	74,640,863.25	64%	108250161	108250161	118 392 636.40	10 142 475.40
Expenditure:								
Employees	6,750,626	6,750,626	3,475,281.10	51%	10,226,957.76	10,226,957.76	7 235 367.95	2 991 589.81
Repairs and maintenance	17,433,964	24,953,964	24,759,554.19	99%	12,811,321.61	12,811,321.61	15 390 046.00	- 2 578 724.39
Other	68,683,928	54,635,332.00	7,940,490.96	14%	56,821,467.70	117 066 714.35	72 181 069.52	44 885 644.84
Total Operating Expenditure	136,477,448	138,148,852.00	79,343,682.39	57%	125,741,033.73	140,104,993.73	94 806 482.52	45 298 511.21
Net Operational (services) Expenditure					125,741,033.73	140,104,993.73	94 806 482.52	45 298 511.21
<i>Variances are calculated by dividing the difference between actual and original budget by the actual</i>								

4.6.6 Technical Services (Admin)

Financial Performance: Waste Management									
Description		2017/2018				2018/2019			
		Original Budget	Adjusted Budget	Actual	Variance to Budget	Original Budget	Adjusted Budget	Actual	Variance to Budget
		R'000							
Total Operating Revenue (excluding tariffs)		R0	R0	R0	R0	R0	R0	R0	R0
Expenditure:									
Employees		5,319,594	5,319,594	2,551,073.45	2,768,520.55	2,229,213.89	2,229,213.89	446 167.29	1 783 146.60
Repairs and maintenance		R0	R0	R0	R0	R0	R0	R0	R0
Other		463,339	572,158			325,886.50	166,248.50	8960.02	157 288.48
Total Operating Expenditure		5,782,933	5,891,752	2,642,654.23	3,249,097.77	2,555,100.39	2,395,462.39	455 127.31	1 940 435.28

Net Operational (services) Expenditure					2,555,100.39	2,395,462.39	455 127.31	1 940 435.2 8
<i>Variances are calculated by dividing the difference between actual and original budget by the actual</i>								

4.6.7 Local Economic Development

Financial Performance: Local Economic Development									
Description		2017/18				2018/2019			
		Original Budget	Adjusted Budget	Actual	Variance to Budget	Original Budget	Adjusted Budget	Actual	Variance to Budget
		R'000							
Total Operating Revenue (excluding tariffs)									

Expenditure:								
Employees	8,524,196	8,524,196	4,566,143.32	54%	7,486,293.23	7,486,293.23	523 670.30	6 962 622.70
Repairs and maintenance	R0	R0	R0		R0	R0	0	0
Other	22,088,337	22,088,337	21,827,724.06	99%	26 751 018	26 360 044	24 234 092.56	2 125 951.44
Total Operating Expenditure	30,612,533	30,612,533	26,393,867.38	86%	34 237 312.00	33 846 337.00	24 757 762.92	9 088 574.14
Net Operational (services) Expenditure								
<i>Variances are calculated by dividing the difference between actual and original budget by the actual</i>								

4.6.8 Community Development

Financial Performance: Community Development								
Description	2017/18				2018/2019			
	Original Budget	Adjusted Budget	Actual	Variance to Budget	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000							
Total Operating Revenue (excluding tariffs)								
Expenditure :								
Employees	10,100,081	10,100,081	10,553,316.67	104%	18,897,937.97	18,897,937.97	16 256 954.91	2 640 983.06
Repairs and maintenance	809,642	1,660,159	3391.66	02%	1,726,564.94	1,726,564.94	293 934.57	1 432 630.37

Other	7,480,490	7,928,435	6,727,297.69	85%	17349 573.17	17 106 061.6 4	6 075 999.44	11 030 062.20
Total Operating Expenditur e	27,332,41 7	28,647,84 5	17,284,006.0 2	60%	37,974,076.0 8	37,730,564.5 5	22 626 888.9 2	15 103 675.6 3
Net Operationa l (services) Expenditur e					37,974,076.0 8	37,730,564.5 5	22 626 888.9 2	15 103 675.6 3
<i>Variances are calculated by dividing the difference between actual and original budget by the actual</i>								

4.6.8.1 Social Services Administration

Financial Performance: Social Services Administration								
Description	2017/18				2018/2019			
	Original Budget	Adjusted Budget	Actual	Variance to Budget	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000							
Total Operating Revenue (excluding tariffs)								
Expenditure:								
Employees	3,211,064.00	3,211,064.00	3,356,217.69	105%	10 579 777	10 579 777	9 492 983.31	1086793.69

Repairs and maintenance	R0	R0			1 706 428	1 706 428	222 749.57	1086793.69
Other	4,917,776	5,171,777.00	4,686,694.27	91%	5148783	5148783	5 210 886.65	-62103.65
Total Operating Expenditure	8,128,840.00	8,382,841.00	8,042,911.96	96%	17 472 733.00	17 434 988.00	14 926 619.53	2508368.47
Net Operational (services) Expenditure								
<i>Variances are calculated by dividing the difference between actual and original budget by the actual</i>								

4.6.8.2 Sports, Arts and Culture

Financial Performance: Sports, Arts and Culture								
Description	2017/18				2018/2019			
	Original Budget	Adjusted Budget	Actual	Variance to Budget	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000							
Total Operating Revenue (excluding tariffs)								
Expenditure:								
Employees	3,158,185.00	3,158,185.00	3,746,278.27	119%	3,921,494.97	3,921,494.97	3 255 741.22	665 753.75
Repairs and maintenance	R0	R0	R0	R0	20,136.48	20,136.48	71 510	51 373.52
Other	1,330,304.00	1,310,942.00	1,150,431.41	88%	10 680 912.47	10 654 909.47	423 588	10 231 321.47

Total Operating Expenditure	13,447,659. 00	13,447,659. 00	4,896,709. 68	36%	14,622,543. 92	14,596,540. 92	3 759 199. 22	10 837 341. 70
Net Operational (services) Expenditure					14,622,543. 92	14,596,540. 92	3 759 199. 22	10 837 341. 70
<i>Variances are calculated by dividing the difference between actual and original budget by the actual</i>								

4.6.8.3 Health Services

Financial Performance: Health Services								
Description	2017/2018				2018/2019			
	Original Budget	Adjusted Budget	Actual	Variance to Budget	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000							
Total Operating Revenue (excluding tariffs)	0	0	0					
Expenditure:								
Employees	424,622.00	424,622.00	530,811.06	125%	521,985.30	521,985.30	480 604.63	41 380.67
Repairs and maintenance	R0	R0	R0	R0	R0	R0	R0	R0
Other	59,334.00	64,640.00	55,793.55	86%	61,705.32	61,705.32	112 002.89	- 50 297.57
Total Operating Expenditure	483,956.00	489,262.00	586,604.61	120%	583,690.62	583,690.62	592 607.52	8 916.90

Net Operational (services) Expenditure					583,690.62	583,690.62	592 607.52	8 916.90
Variances are calculated by dividing the difference between actual and original budget by the actual								

4.6.8.4 Libraries

Financial Performance: Libraries								
Description	2017/18				2018/2019			
	Original Budget	Adjusted Budget	Actual	Variance to Budget	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000							
Total Operating Revenue (excluding tariffs)								
Expenditure :								
Employees	721,180.00	721,180.00	347,134.80	48%	869,035.44	869,035.44	738 674.00	130 361.44

Repairs and maintenanc e	R0	R0	R0	R0	R0	R0	0	0
Other	798,195.00	798,195.00	601,115.1 4	75 %	830,119.99	814,400.99	0	814 400.9 9
Total Operating Expenditur e	1,519,375.0 0	1,519,375.0 0	948,249,9 4	62%	1,699,155.4 3	1,683,436.4 3	738 674.00	944 762.43
Net Operational (services) Expenditur e					1,699,155.4 3	1,683,436.4 3	738 674.0 0	944 762.43
<i>Variances are calculated by dividing the difference between actual and original budget by the actual</i>								

4.6.8.5 Transportation and Safety

Financial Performance: Transportation and Safety								
Description	2017/18				2018/2019			
	Original Budget	Adjusted Budget	Actual	Variance to Budget	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000							
Total Operating Revenue (excluding tariffs)								
Expenditure:								
Employees	1,710,754.00	1,710,754.00	1,399,046.33	82%	1,981,200.82	1,981,200.82	1 086 751.89	894 448.93
Repairs and maintenance	R0	R0	R0	R0	R0	R0	R0	R0
Other	17,872.00	225,872.00	92,101.62	41%	252,549.02	252,549.02	243 517.80	9 031.22

Total Operating Expenditure	1,745,592	1,953,592	1,501,611.1 9	77%	2,233,749.8 5	2,233,749.8 5	1 330 269.69	903 480.16
Net Operational (services) Expenditure					2,233,749.8 5	2,233,749.8 5	1 330 269.6 9	903 480.16
<i>Variances are calculated by dividing the difference between actual and original budget by the actual</i>								

4.6.9 Grants

Financial Performance: Grants											
Grant Description		2017/18			2017/18 Variance		2018/2019			2018/2019 Variance	
		Original budget	Adjusted budget	Actual	Original budget	Adjusted budget	Original budget	Adjusted budget	Actual	Original budget	Adjusted budget
		R'000									
Capital Transfers and Grants											
National Government:											
Municipal Systems Improvement		R0	R0	R0	0	0	0	0	0	0%	0%
Municipal Infrastructure Grant		131,845,000	159,845,000.00	159,815,752.00	120%	99%	112 384 000.00	82 951 248	82 886 153	79%	99%
Fire and Emergency Grant-in-Aid							0	0	0	0	0

Finance Management Grant	2,145,000.00	2,145,000.00	2,145,000.00	100%	100%	2 215 000.00	2 215 000.00	2 215 000.00	100%	100%
Extended Public Works Grant	1,544,000.00	1,544,000.00	1,544,000.00	100%	100%	1 772 000.00	1 772 000.00	1 772 000.00	100%	100%
Department of Water and Forestry Grant	62,000,000	62,000,000	44,473,568.25	72%	72%	60 000 000	60 000 000	58 609 513	96%	96%
Library grant	1,476,576.00	1,126,576.00	1,221,562.14	83%	108%	789000	789000	598 391	74%	74%
North West Provincial Grant	R0	R0	R0	R0	R0	0	0	0	0	0
Clean Communities Project	R0	R0	R0	R0	R0	0	0	0	0	0
District Municipality										

Bojanala Platinum District Municipality	R0	2,500,000	2,405,080.72	0%	96%	0	0	0	0	0
Total Capital Transfers and Grants	201,160,576	229,160,576	208,082,976.59	90%	91%	177 160 000	142 727 248	146 072 057	82%	102%
<i>Variances are calculated by dividing the difference between actual and original/adjusted budget by the actual</i>										

4.6.10 Employee costs

Management of Employee Costs			
Description	Basis of calculation	2017/18	2018/2019
		Audited outcome	Audited outcome
Employee costs	Employee costs/(Total Revenue - capital revenue)	111 435 810/(579 061 673 -142 722 248) = 392%	109 296 270/ (607 400 320 - 229 160 576) =346%

4.7 COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

4.7.1 Analysis of Capital and Operating Expenditure

Description	Original Budget	Adjusted Budget	Actual	Original Budget variance	Adjusted Budget variance
Capital Expenditure	197 384 000.00	142 951 248.00	141 495 666	71%	99%
Operating expenditure	461 492 000	426 566 000	530 150 052	114%	142%
Total expenditure	673 609 209.00	613, 100,158	443 407 196	66%	72%
Roads and Storm Water	41 000 000	39 747 847	25 269 993	60%	64%
Water	56 891 586	72 094 013	59 384 845	105%	81%

Sanitation	48 508 414	40 849 427	33 021 690	68%	82%
External loans	R0	R0	R0	R0	R0
Internal contributions	R0	R0	R0	R0	R0
Grants and subsidies					
Other	R0	R0	R0	R0	R0
Investments redeemed	R0	R0	R0	R0	R0
Statutory Receipts (including VAT)	R0	R0	R0	R0	R0
Other receipts	R0	R0	R0	R0	R0
Salaries, wages and allowances	154 300 000	123 184 000	130 749 306	84%	105%
Cash in bank					
Capital payments	197 384 000.00	142 951 248.00	141 495 666	71%	99%

Investments made					
Other payments (finance lease payments)	R0	R0	R0	R0	R0
Property rates	49 379 681.00	49 379 681.00	46 901 609	93%	93%
Service charges	40 946 035.00	40 946 035.00	50 012 788	125%	125%
Other own revenue	589 759	589 759	2 873 362	487%	487%
Employment related costs	134 591 638	103 475 206.00	109 216 650.76	106%	106%
Provision for working capital					

Repairs and maintenance	20 636 496.00	18 907 246.00	19 153 383	95%	105%
Bulk purchases	25 732 221	35 732 221	18 907 000	72%	51%
Other expenditure (including contracted services)	172 282 823	160 202 332	214 663 419	124%	133%
Grants and subsidies (indigents): Electricity and water					
Free Basic Service: Electricity & Water					
Other expenditure: Electricity (Own)	14 732 162	12 732 162	25 977 433	178%	208%

Service charges: Water	21 680 091	21 680 091	29 543 424.93	138%	138%
Grants and subsidies: Water					
Other revenue: Water (yard connections)					
Employee related costs: Water	10,226,957.76	10,226,957.76	7 235 367.95	2 991 589.81	2 991 589.81
Provision for working capital: Water					
Repairs and maintenance: Water	12,811,321.61	12,811,321.61	15 390 046.00	-2 578 724.39	-2 578 724.39
Bulk purchases: Water					
Other expenditure: Water	56,821,467.70	117 066 714.35	72 181 069.52	-15359601.82	44 885 644.84
	125,741,033.73	140,104,993.73	94 806 482.52	30934551.21	45 298 511.21

4.7.2 Sources of Finance

Capital Expenditure by Funding Source										
Details	2017/18					2018/2019				
	Budget	Adjustmen t budget	Actual	Adjustmen t to Budget Variance	Actual to Budget Variance	Budget	Adjust ment budget	Actu al	Adjustmen t to Budget Variance	Actual to Budget Variance
	R'000					R'000				
External loans	R0	R0	R0	R0	R0	R0	R0	R0	R0	R0
Public contributions	R0	R0	R0	R0	R0	R0	R0	R0	R0	R0
Grants and subsidies	136,98 2,041. 00	172,487,40 2.15	204,28 9,320	28,801,918	67,307,279	166 884 000.00	166 974 000.00	136 2 67 387	30 616 613	30 706 613
Other						30 500 000 .00	6 827 126.00	0	0	0

Total	136,9 82,04 1	172,487,4 02.15	204,28 9,320	28,801,918	67,307,279	197 384 000.00	173 801 126.0 0	136 2 67 387	30 616 613	30 706 613
External loans	R0	R0	R0	R0	R0	R0	R0	R0	R0	R0
Public contributions	R0	R0	R0	R0	R0	R0	R0	R0	R0	R0
Grants and subsidies	R0	R0	R0	R0	R0	R0	R0	R0	R0	R0
Other										
Roads and Storm Water	43,432 ,040.9 3	67,970,772 .00	42,082 ,809.1 9	-3,700,768	15,837.963. 23	41 000 000	39 747 847	25 26 9 993	14 477 854	15 730 007

Water	89,000 ,000	119,856,66 4.30	72,933 ,529.6 0	16,066,470 .40	30,288,680. 54	56 891 586	72 094 013	59 38 4845	12 709 168	-2 493 259
Sanitation	R0	11,365,545 .85	14,569 ,539	430,461	5,119,882	48 508 414	40 849 427	33 02 1 690	7 827 737	15486 724
Total	132,4 32,04 0	199,192,9 82.15	129,5 85,89 7	12,796,16 3	51,246,525	146 400 000	152 69 1 287	117 676 528	35 014 759	28 723 472
Roads and Storm Water	43,432 ,040.9 3	67,970,772 .00	42,082 ,809.1 9	-3,700,768	15,837.963. 23	41 000 000	39 747 847	25 269 993	14 477 854	15 730 007
Water	89,000 ,000	119,856,66 4.30	72,933 ,529.6 0	16,066,470 .40	30,288,680. 54	56 891 586	72 094 013	59 384 845	12 709 168	-2 493 259
Sanitation	R0	11,365,545 .85	14,569 ,539	430,461	5,119,882	48 508 414	40 849 427	33 021 690	7 827 737	15486 724

The table below indicates the summary of the pre-audited financial performance for the 2018/19 financial year.

4.7.3 Employee costs

Management of Employee Costs			
Description	Basis of calculation	2017/18	2018/2019
		Audited outcome	Audited outcome
Employee costs	Employee costs/(Total Revenue - capital revenue)	111 435 810/(579 061 673 - 142 722 248) = 392%	109 296 270/ (607 400 320 - 229 160 576) =346%

4.7.4 Capital Spending on Five Largest Projects

Table Summary of projects with highest capital expenditure 2018/2019

Project	Original budget	Actual expenditure
Ward 3 water supply (yard connection)	R 11 543 070	R 11 758 717
Ward 3,9 & 22 sports complex	R12 712 579	R 12 266 036
Upgrading of Mogogelo internal road Phase II	R15 000 000	R14 789 967
Ward 12,16,17,19,21&22 Basic sanitation	R20 849 427	R 15 998 941
Construction of Thulwe bridge	R 21 416 652	R 8 148 830
(Previous) Ward 5 water supply	R29 000 000	R19 924 313

4.7.5 Basic Service and Infrastructure Backlogs - Overview

4.7.5.1 Municipal Infrastructure Grant (MIG)

MIG is a government grant programme designed to fund a reduction in service backlogs, mainly: Water; sanitation; Roads; Electricity. Expenditure on new, upgraded and renewed infrastructure as set out in the table below. This grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro-enterprises and social institutions servicing poor communities. Note also the calculation of the variation.

Municipal Infrastructure Grant spend on Service Backlogs 2018/2019										
	2017/2018			Variance		2018/2019			Variance	
	Budget	Adjustments Budget	Actual	Budget	Adjustments budget	Budget	Adjustments Budget	Actual	Budget	Adjustments budget
R'000										
Infrastructure - Roads and Storm Water	33,382,041	48,359,058.87	33,938,522.98	- 556,481.98	14,420,535.89	R 39 747 847	R 39 747 847	R22 93 8 797	56%	56%
Infrastructure - Water	21,000,000	37,122,210.14	38,304,917.59	- 17,304,917.59	- 1,182,707.59	R32 443 440	R32 443 440	R20 22 5 753	62%	62%
Infrastructure - Sanitation	5000,000	15,365,546	10,590,144	- 5,590,144	4,775,402.00	R 20	R 20	R16 57 2 524	80%	80%

						000 000	000 000			
Total	R59,382 ,041	R100,846,81 5.01	R82,83 3,120. 57	- 23,451,5 43.57	R18,013,23 0.30	R92 19 1 287	R92 19 1 287	R59 74 0 073	64%	64%
<i>Variances are calculated by dividing the difference between actual and original/adjusted budget by the actual.</i>										

4.8 COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENT

Cash flow management is critical to the municipality as it enables the organization to assess whether enough cash is available at any point in time to cover the council's commitments.

4.8.1 Cash Flow

Cash Flow Statement						
Description	2017/18			2018/19		
	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget	Actual
	R'000	R'000	R'000	R'000	R'000	R'000
Cash flow from operating activities						
Receipts						
Services	38,000,000	38,000,000	34,834,577	66 869 762.00	66 869 762.00	40 097 755
Grants	498,510,576.00	511,510,576.00	484,767,001	483 881 000	483 881 000	470 895 225
Interest income and other income	12,532,891.00	12,532,891.00	17,669,104	13 577 555.00	13 577 555.00	10 200 253

Payments						
Suppliers and employees	-332,652,233.93	-372,301,639.91	-298,216,434	-372 951 256.00	-338 025 083	372 599 458
Finance charges	-9,386,209	-6,386,209.00	-4,520,730	-199 965.00	-199 965.00	2 277 612
Net cash from/(used) operating activities	188,170,984.45	178,936,536.21	234,533,581	184 988 490.00	221 914 663	146 316 163
Cash flow from investing activities	-208,437,989.93	-225,071,989.93	-145,068,939	-197 384 000	- 173 801 126.41	115 125 298
Receipts						
Purchase of property, plant and equipment	0	0	- 145,013,104	0	0	-121 742 791

Proceeds from sale of property, plant and equipment	0	0	-55,835	0	0	6 617 493
Net cash from/(used) investing activities	208,437,989.93	225,071,989.93	-145,068,939			115 125 298
Cash flow from financing activities	-139,133,257			0	0	
Repayment of other financial liabilities	0	0	-72,800,000	0	0	
Finance lease payments	0	0	-66,333,257	0	0	3 784 885
Net cash from financing activities	47,000,000	-72,000,000	139,068,939	0	0	3 784 885
Net increase/(decrease) in cash and cash equivalents	67,267,005.48	118,135,453.72	-49,668,678	- 12 395 510.00	48 113 536.59	27 405 980

Cash/cash equivalents at the beginning of the year	158,396,174.00	119,375,832.00	64,297,400	17 646 483.00	14 628 722.00	13 886 830
Cash/cash equivalents at the end of the year	91,129,168.52	1,240,378.28	14,628,722	5 250 973	62 742 258.59	41 292 810

4.8.2 Borrowing and Investments

4.8.2.1 Actual Borrowing

4.8.2.2 Municipal Investment

Investment	R
Standard bank - Call account	R0
Nedbank - Call account	R0
ABSA BANK - Call account	R11 036 576.98
First National Bank	R0
VBS*	R0

*Bank placed under curatorship on 11 March 2018- refer to AFS for financial disclosure

4.8.2.3 Declaration of Loans and Grants made by the Municipality

None

4.8.3 2018/2019 Rates Assessment

The municipality's valuation roll was valid from 2014-2018 and an extension of the valuation period was approved by the MEC until the 2019. This was as a result of the Municipal Property Rates Act of 2004 being amended.

The municipality has gazetted Rates By-laws and Property Rates policy. It is in the implementation of the policy that the municipality can draw revenue from the tax on land. Notwithstanding the fact that the municipality is over 90% rural, the collection rates in relation to tax on land have seen a slight improvement compared to the previous financial year.

The municipality collects rates monies mainly from National and Provincial government as stakeholders, thus enabling a simplified manner of debt collection for government accounts. The municipality continues to engage with departments where there are disputes relating to ownership as a result of changing mandates at National and Provincial government level. The indigent register of the municipality does not adequately reflect the rural nature, the unemployment rate, the elderly population of the municipality. In this regard the municipality is on a drive to ensure a vivid reflection of its social state on the indigent register.

The municipal debt continues to grow at a slow pace. This month on month growth reflects the lack of economic activity in the municipality, coupled with a high immigration of youth to the surrounding cities and the notion of a rural area being a good place to retire once one reaches a pensionable age.

The municipality continues to seek streams of own revenue generation considering its rural nature. Following the implementation for the 2014/18 valuation roll, the municipality has grown its debtors' records by bringing new farms onto the FMS. In addition, the municipal boundaries have increased due to re-demarcation. The assessment rates affect just over 16 000 households in the municipality. In accordance with the MPRA and the approved rates policy, the debtors are categorized and charged a rates tariff that is approved by Council. Rates have contributed 27% as a single income component to the overall collections of the municipality. The collection rate is 33%.

4.9 COMPONENT D: OTHER FINANCIAL MATTERS

4.9.1 GRAP Compliance

GRAP is the acronym for **G**enerally **R**ecognized **A**ccounting **P**ractice. It provides the guidelines by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

The municipality has been preparing its Annual Financial Statements on GRAP. GRAP also requires specific disclosures to enable users of the AFS to determine the financial performance and financial position of the municipality. A few changes were introduced in the 2017/18 financial year, which is also presented in the AFS. The MFMA also requires that certain information be presented in the AFS such as disclosures concerning councillors, Directors and officials, any contributions to the organized local government, payments of audit fees, taxes, levies and duties, a summary of investments held by the municipality, particulars of any material irregular expenditure which may have occurred during the year.

4.9.2 Supply Chain Management Compliance

The Supply Chain Management (SCM) Policy was approved by the Council. However, the AGSA has indicated in its 2016/2017 Audit Report that "The municipality did not implement a SCM policy as required by Section 111 of the MFMA". To address this finding, the municipality has introduced reforms in the SCM procedures. Corrective measures were implemented in the 2018/2019 financial year to ensure that the SCM policy is implemented, and non-adherence is reported to Council. Corrective measures include the introduction of checklists and revised forms to ensure delegations are adhered to. SCM processes, as described by the SCM Regulations of 2005 have been followed by the officials of the Municipality during the 2018/2019 financial year, with minimal deviations.

The SCM Unit is established and currently staffed with 4 employees, who adhere to the required minimum competencies. Following the 2016/17 regularity audit, to ensure the effectiveness of the unit, the municipality moved some employees from the office. With the assistance of National Treasury, the municipality aims to review the SCM organogram and to further capacitate it.

4.10 AUDITOR'S REPORT



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the auditor-general to the North West provincial legislature and the council on the Moretele Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Moretele Local Municipality set out on pages 227 to 326, which comprise the statement of financial position as at 30 June 2019, and the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Moretele Local Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (Dora).

Basis for qualified opinion

Trade payables

3. I was unable to obtain sufficient appropriate audit evidence for trade payables due to the poor status of the accounting records. I could not confirm trade payables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to trade payables of R145 655 914 included in payables from exchange transactions disclosed in notes 13 and 38 to the financial statements.

Cash and cash equivalents

4. I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents as the municipality did not have adequate internal controls to properly account for payments made. The municipality did not prepare monthly bank reconciliations for the period under review. I was unable to confirm the balance of cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to cash and cash equivalents of R41 292 809 as disclosed in note 8 and note 38 to the financial statements.

Irregular expenditure

5. I was unable to obtain sufficient appropriate audit evidence that particulars of all irregular expenditure was disclosed in the notes to the financial statements, as required by section 125(2)(d) of the MFMA as the municipality did not implement adequate internal control systems to identify and record all instances of irregular expenditure. I was unable to confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure of R1 222 859 869 (2018:R906 046 225) in note 49 to the consolidated and separate financial statements.

Cash flows from operating activities

6. The municipality did not disclose cash flows from operating activities in accordance with GRAP 2, *Cash flow statements*. Non-cash donations of assets to the municipality amounting to R17 998 276 were incorrectly included in grants received. In addition, I could not obtain sufficient audit assurance to support an amount of R18 813 884 included in payments to suppliers. I could not confirm this amount by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the cash flows from operating activities stated at R146 316 163 on the cash flow statement.
7. The cash generated from operations as stated in note 37 to the financial statements was understated by R5 545 224 as a result of the incorrect deduction of finance costs which should have been added back. In addition, I could not obtain sufficient audit assurance to support an amount of R18 813 884 described as consumer deposits. I could not confirm this amount by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the cash flows from operating activities stated at R146 316 163 in note 37 to the financial statements.
8. In the prior year, the municipality incorrectly stated the following items in the cash flows from operating activities:
 - Sale of good and services is over-stated by R19 314 648
 - Grants are under-stated by R35 671 245
 - Cash paid to suppliers is overstated by R58 910 905
 - Finance costs are under-stated by R4 350 543

Consequently, the cash flows from operating activities in the prior year is over-stated by R46 904 851.

9. In the prior year, the cash generated from operations as stated in note 37 to the financial statements was misstated due to the following:
 - Surplus is over-stated by R12 098 877
 - Impairment loss is under-stated by R42 531 784
 - Finance income is under-stated by R17 842 917

Consequently, the cash flows from operating activities stated at R270 039 111 is under-stated by R12 589 990.

Cash flows from investing activities

10. The municipality did not disclose cash flows from investing activities in accordance with GRAP 2, *Cash flow statements*. Non-cash donations of assets to the municipality amounting to R17 998 276 were incorrectly included in purchases of property, plant and

equipment. Consequently, purchases of property, plant and equipment are overstated by R17 998 276.

11. In the prior year, the municipality incorrectly stated the following items in the cash flows from investing activities:

- Purchase of property, plant and equipment is under-stated by R12 708 113
- Movements in investments is overstated by R51 057 065

Consequently, the cash flows from investing activities in the prior year is over-stated by R42 231 737.

Context for the opinion

12. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

13. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants*, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

14. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

15. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

16. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2019.

Material losses

17. As disclosed in note 31 to the financial statements, material losses of R40 658 357 was incurred as a result of a write-off of irrecoverable trade debtors.

18. As disclosed in note 33 to the financial statements, material water losses of R20 752 324 were incurred, which represents 50% of the total water purchased.

Material impairments

19. As disclosed in note 31 to the financial statements, a material impairment of R19 432 656 relating to property, plant and equipment was incurred as a result of damage to property. In addition, material impairment of receivables from exchange revenue of R14 334 266 and receivables from non-exchange revenue of R4 779 729 were provided for as these debts were considered to be irrecoverable.

Unauthorised expenditure

20. As disclosed in note 47 to the financial statements, unauthorised expenditure of R80 315 558 was incurred in the current year due to inadequate budgetary controls. In addition, the unauthorised expenditure of R441 958 339 in respect of prior years have not been investigated as required by section 32 of the MFMA.

Uncertainty relating to the future outcome of exceptional litigation

21. With reference to note 40 to the financial statements, the municipality is a defendant in a number of lawsuits. The municipality is opposing the claims as per their legal counsel's advice. The ultimate outcome of the matters cannot currently be determined and no provision for any liability that may result has been made in the financial statements.

Other matter

22. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

23. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement, included as note 50 to the financial statements, did not form part of the audit of the financial statements and accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

24. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and the DORA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
25. In preparing the financial statements, the accounting officer is responsible for assessing the Moretele Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or there is no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

26. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
27. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

28. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for the selected objectives presented in the annual performance report. I was engaged to perform procedures to raise findings but not to gather evidence to express assurance.
29. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2019:

Objectives	Pages in the annual performance report
KPA 1: Basic services and infrastructure	47- 54
KPA 5: Local economic development	70 - 76

30. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
31. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

KPA 1: Basic services and infrastructure

All indicators

32. A comparison between the planned and actual performance of the year under review and previous year was not included in the annual performance report.
33. Furthermore, the measures taken to improve performance against target for all targets were not included in the annual performance report.

Number of sports complexes constructed

34. The achievement against the target of “3 sports complexes constructed in wards 3, 9 and 22” reported in the annual performance report was “2 sports complexes completed in wards 9 and 22”. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of “1 sports complex completed in ward 9”.

Maintenance of municipal art and culture facility

35. I was unable to obtain sufficient appropriate audit evidence to support the reported achievement of target maintained art and culture facility by December 2018. This was due to a lack of properly documented technical indicator descriptions, proper systems and processes and formal standard operating procedures that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of the indicator by alternative means. Consequently, I was unable

to determine whether any adjustments were required to the achievement of tender closed and service providers appointed as reported in the annual performance report.

Number of libraries developed, and awareness campaigns developed

36. I was unable to obtain sufficient appropriate audit evidence to support the reported achievement of the target listed below. This was due to a lack of properly documented technical indicator descriptions, proper systems and processes and formal standard operating procedures that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of the indicator by alternative means. Furthermore, it was noted this key performance indicator/target was not consistent when the service delivery and budget implementation plan (SDBIP) was compared to the annual performance report (APR). These changes included in the annual performance report were made without approval. Consequently, I was unable to determine whether any adjustments were required to the achievement of this target as reported in the annual performance report.

Key performance indicator and target per APR	Key performance indicator and target per SDBIP	Annual target per APR	Actual Achievement per APR
Indicator: Number of libraries developed, and awareness campaigns developed Target: 1 Library developed: (Lebotloane) and 4 awareness campaigns held by June 2019	Indicator: Number of library developed Target: 1 Library developed: (Lebotloane)	1 library developed (Lebotloane) and 4 awareness campaigns held by June 2019	1 library developed (Lebotloane) and 4 awareness campaigns held (CDS04(2))
	Indicator: Number of library awareness held Target: 4 awareness campaigns held by June 2019		

Various indicators

37. I was unable to obtain sufficient appropriate audit evidence to validate the existence of systems and processes that enable reliable reporting of actual service delivery against the indicator. Due to limitations placed on the scope of my work, I was unable to confirm the reported achievements of the indicators listed below. This was due to a lack of properly documented technical indicator descriptions, proper systems and processes and formal standard operating procedures. I was unable to validate the existence of the systems or to confirm the reported achievement by alternative means. Furthermore, it was noted that key performance indicators and/or targets were not consistent or were changed when the SDBIP was compared to the APR. These changes included in the APR were made without approval. Consequently, I was unable to determine whether any adjustments were required to the achievement of these targets as reported in the APR.

Key performance indicator and/or target per APR	Key performance indicator/target per SDBIP	Annual target per the APR	Actual Achievement per the APR
Number of communal standpipes erected	Target: 50 communal standpipes erected in	50 public taps erected in ward	15km done.

Key performance indicator and/or target per APR	Key performance indicator/target per SDBIP	Annual target per the APR	Actual Achievement per the APR
Target: 50 public taps erected in ward 5 (previously) by June 2019	ward 5 (Previous) by June 2019	5 (Previously) by June 2019	
Indicator: Thulwe Bridge constructed to completion Target: Thulwe Bridge fully constructed by June 2019	Indicator: Thulwe Bridge constructed Target: Thulwe Bridge constructed by June 2019	Thulwe Bridge fully constructed by June 2019	Concrete walls complete
Number of art and culture events held	KPI not included in the adjusted SDBIP	4 art and culture events held by June	4 art and culture events held
Indicator: Number of awareness campaigns conducted, awareness material and protective clothes procured Target: 4 awareness campaigns 4 types of awareness material and 2 sets of protective clothing	Indicator: Number of awareness campaigns conducted Target: 4X awareness campaigns by June 2019 Indicator: Number of awareness material and protective clothes purchases Target: 4 types of awareness material and 2 sets of protective clothing purchased by June 2019	4 awareness campaigns 4 types of awareness material and 2 sets of protective clothing	4 awareness campaigns were held 4 types of awareness material and 2 sets of protective clothing were procured

Various indicators

38. I was unable to obtain sufficient appropriate audit evidence to validate the existence of systems and processes that enable reliable reporting of actual service delivery against the indicator. Due to limitations placed on the scope of my work, I was unable to confirm the reported achievements of the indicators listed below. This was due to a lack of properly documented technical indicator descriptions, proper systems and processes and formal standard operating procedures. I was unable to validate the existence of the systems or to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of these targets as reported in the APR.

Key performance indicator per APR	Annual Target per SDBIP	Actual Achievement
Number of households with piped water inside the yard	1 544 households with piped water inside the yard in Ward 3 (Cyferskuil) by June 2019	1 544 households with piped water inside the yard in Ward 3 (Cyferskuil) Completed
Kilolitres of water supplied to	146.0 Kl of water supplied in 26 wards by June 2019	146.0 Kl of water supplied in 26 wards supplied

Key performance indicator per APR	Annual Target per SDBIP	Actual Achievement
households without access		
Number of sanitation units constructed in ward 18,23, 24 & 26	721 sanitation units constructed in ward 18,23,24& 26 by June 2019	657 sanitation units constructed in ward 23,24& 26 supplied
Number of sanitation units constructed	936 sanitation units constructed in ward 16,17,19,21&22 by June 2019	936 sanitation units constructed in ward 16,17,19,21&22 supplied
Number of km of gravel roads maintained	70 km of roads maintained in 26 wards by June 2019	70km of roads maintained in 26 wards
Number of reflectors and gazebo purchased	40 reflectors and 1 gazebo purchased and	40 reflectors and 1 gazebo were not purchased because of insufficient funding

Various indicators

39. I was unable to obtain sufficient appropriate audit evidence to validate the existence of systems and processes that enable reliable reporting of actual service delivery against the indicator. This was due to a lack of properly documented technical indicator descriptions, proper systems and processes and formal standard operating procedures. I was unable to validate the existence of the systems by alternative means. Furthermore, it was noted that these key performance indicators and/or targets were not reported in the APR. The omission was made without approval.

Key performance indicator	Annual target
Number of Ward Offices constructed in ward 13	1X Ward Office completed by June 2019
Number of municipal recreation facilities maintained	2 recreational park maintenance and 2 park purchase equipment done by end of June 2019
Number of municipal sports and recreation facilities and community sportsgrounds cleaned	Purchase 1X tractor and 1X mower and cleaning equipment for maintenance by June 2019
Recognise schools and community sports and recreation initiatives	4X number of initiatives undertaken by schools and community members supported as per request

Various objectives

40. Differences were noted between the following strategic objectives included in the SDBIP and the strategic objectives included in the APR. The changes included in the APR were made without approval.

Planned objective as per SDBIP	Reported objective as per the APR
To ensure adequate access of basic service to the households	To ensure adequate access of basic service to the households (To ensure access to portable water to all municipal households by 2022)
To ensure adequate access of basic service to the households	To ensure adequate access of basic service to the households (To ensure that all household have access to proper sanitation by 2022)

None	To provide community amenities (To provide planning and design for community amenities)
Creation of an enabling environment for growth in sport and recreation	None
Promotion of sustainable communities and healthy lifestyle	None

Various indicators

41. The following planned indicators and/or targets in the SDBIP were not consistent when compared to the reported achievements in the APR . These changes were made without approval.

Key performance indicator and/or target as per APR	Key performance indicator and/or target as per SDBIP
Target: Number of km of roads constructed in Mogogelo	Target: No of km of roads constructed
Indicator: Number of safety awareness campaign. Number of CSPF's launched Target: 4 awareness campaign held by June. Launched ward CSPF's	Indicator: Number of safety awareness campaign Target: 4 awareness campaign held by June 2019
Target: Operational Disaster Management Advisory Forum	Target: 4X Operational Disaster Management Advisory Forum held by June 2019
Indicator: Number of veld forest fire management Programs conducted and supported Target: 3 Meetings and 1 AGM	Indicator: Number of veld forest fire management meetings conducted and supported Target: 4X meetings by June 2019

KPA 5: Local economic development

All indicators

42. A comparison between the planned and actual performance of the year under review and previous year was not included in the annual performance report.
43. Furthermore, the measures taken to improve performance against target for all targets were not included in the annual performance report.

Percentage increase in HH, Schools, businesses, government institutions

44. I was unable to obtain sufficient appropriate audit evidence to support the reported achievement of target *100% collection of waste implemented through an appointed contractor*. This was due to a lack of properly documented technical indicator descriptions, proper systems and processes and formal standard operating procedures that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of the indicator by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of target *100% collection of waste implemented through an appointed contractor* as reported in the annual performance report.

Various indicators

45. I was unable to obtain sufficient appropriate audit evidence to support the reported achievement for the targets listed below. This was due to a lack of properly documented technical indicator descriptions, proper systems and processes and formal standard operating procedures that predetermined how the achievement would be measured,

monitored and reported. I was unable to confirm the reported achievement of the indicator by alternative means. Furthermore, the key performance indicators and/or targets per the SDBIP were not consistent when compared to the key performance indicators and/or targets in the APR. These changes were made without approval. Consequently, I was unable to determine whether any adjustments were required to the reported achievement in the APR.

Key performance indicator/target APR	Key performance indicator/target SDBIP	Annual Target	Reported Achievement
Number of agricultural projects facilitated Target: 4 agricultural projects facilitated/supported	Target: 2X agricultural projects facilitated/supported	4 agricultural projects facilitated/supported	4 agricultural projects were not facilitated/supported
Indicator: Agricultural Hub developed Target: Established Economic Hub (Agri-park)	Indicator: Number of Agricultural hub development stakeholder engagements undertaken by June 2019 Target: Establish 2X Agricultural hub development stakeholder engagements undertaken	Established Economic Hub (Agri-park)	Economic Hub (Agri-park) was established
Indicator: Number of agricultural projects facilitated	Indicator: Number of tourism projects facilitated by June 2019	1x tourism projects facilitated/supported	The project was not facilitated owing to financial challenges
Indicator: 100% cleaning of illegal dumping's	Indicator: % cleaning of illegal dumping's	100% cleaning of illegal dumping's	100% cleaning of illegal dumping achieved through the appointment of two contractors
Indicator: Review of the IWMP Target: Final IWMP	Indicator: Number of Integrated Waste Management Olan (IWMP) reviewed by June 2019 Target: 1X IWMP approved	Final IWMP	Funding constraints impacted on the target achievement
Indicator: Maintenance of the landfill site Target: Cleaning of the landfill site	Indicator: Number of compliant landfill sites developed by June 2019 Target: 1X compliant land fill site developed at Ga-Motla	Cleaning of the landfill site	The department of Environment and Tourism issues a section 24G notice which declined the application of the Landfill site

Various indicators

46. I was unable to obtain sufficient appropriate audit evidence to validate the existence of systems and processes that enable reliable reporting of actual service delivery against the indicator. Due to limitations placed on the scope of my work, I was unable to confirm the reported achievements of the indicators listed below. This was due to a lack of properly documented technical indicator descriptions, proper systems and processes and formal standard operating procedures. I was unable to validate the existence of the systems or to confirm the reported achievement by alternative means. Furthermore, it was noted that key performance indicators and/or targets were not consistent or were changed when the SDBIP was compared to the APR. These changes included in the APR were made without approval. Consequently, I was unable to determine whether any adjustments were required to the achievement of these targets as reported in the APR.

Key performance indicator and/or target APR	Key performance indicator and/or target SDBIP	Annual target per APR	Actual Achievement per APR
Number of Special Economic Zone Business Case Developed	Indicator not included on the SDBIP	2 Special Economic Zone Business Case Developed	Procurement process were initiated but not followed through to achievement of the target
Number of Catalytic project packaged for funding and investment attraction	Indicator not included on the SDBIP	1 Catalytic project packaged for funding and investment attraction	Procurement process were initiated but not followed through to achievement of the target
Indicator: Development of Environmental Management Framework Target: Final Environmental management Framework	Indicator: Number of Environmental Management Frameworks developed by June 2019 Target: 1X Environmental Management Frameworks developed	Final Environmental management Framework	Funding constraints impacted on the target achievement
Develop and sustain, spatial, natural and built environment	Indicator not included on the SDBIP	100% sustained, spatial, natural and built environment	Building plans (21) received were processed and approved
Rand Value of revenue collected from town planning, process/ procedure, servitudes registration & building control applications submitted to the municipality	Indicator not included on the SDBIP	R20000.00 revenue collected from town planning, process/ procedure, servitudes registration & building control applications	Revenue generated fell below the planned annual target. R18 556,63 was generated through processing of building plans

Various indicators

47. I was unable to obtain sufficient appropriate audit evidence to validate the existence of systems and processes that enable reliable reporting of actual service delivery against the indicator. This was due to a lack of properly documented technical indicator descriptions, proper systems and processes and formal standard operating procedures. I was unable to validate the existence of the systems by alternative means. Furthermore, it was noted that these key performance indicators and/or targets were not reported in the APR. The omission was made without approval.

Key performance indicator	Annual target
No. of SMME's assisted with market development and exposure	60 SMME's assisted with market development and exposure
Number of Enterprises benefited from business support services	50 enterprises benefited from business support services
No. of jobs created through local economic development initiatives including capital projects	1500 jobs created by June 2019
% approval of building applications received by June 2019	100% approval of building applications received

Other matters

48. I draw attention to the matters below.

Achievement of planned targets

49. Refer to the annual performance report on pages 44 to 70 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) x to x of this report.

Adjustment of material misstatements

50. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA 1 - Basic services and infrastructure and KPA 5 - Local economic development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on audit of compliance with legislation

Introduction and scope

51. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

52. The material findings on compliance with specific matters in key legislation are as follows:

Financial statements, performance report and annual reports

53. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of expenditure, assets, liabilities, commitments, unauthorised and irregular expenditure as well as the cash flow statement and the statement of comparison of budget and actual amounts identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Procurement and contract management

54. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(a) and (c). Similar non-compliance was reported in the prior year.
55. Some of the quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was reported in the prior year.
56. The preference point system was not applied as some of the procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was reported in the prior year.
57. Some of the contracts were awarded to and quotations accepted from bidders that had not scored the highest points in the evaluation process, in contravention of section 2(1)(f) of Preferential Procurement Policy Framework Act and Preferential Procurement Regulations. Similar non-compliance was reported in the prior year. This non-compliance was identified in the procurement processes for the rural water supply in Ward 03 - Yard Connections and Upgrading of Internal Roads and Stormwater in Mogogelo key projects.

Expenditure management

58. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
59. The management, accounting and information system was not always used adequately and optimally to account for creditors and payments made, as required by section 65(2)(b) of the MFMA.
60. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. Most of the disclosed irregular expenditure was caused by non-compliance with the Municipal SCM Regulations. Irregular expenditure amounting to R24 million was incurred on Rural Water Supply in Ward 03 - Yard Connections and Upgrading of Internal Roads and Stormwater in Mogogelo key projects.
61. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R80 315 558, as disclosed in note 47 to the financial statements, in contravention of section 62(1)(d) of the MFMA. Most of the unauthorised expenditure was caused by inadequate budgetary control.

Asset management

62. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Strategic planning and performance management

63. The performance management system and related controls were inadequate as it did not describe how the performance planning, monitoring, measurement, review, reporting and improvement processes should be conducted, organised and managed, as required by regulation 7(1) of the Municipal Planning and Performance Management Regulations.

Consequence management

64. Unauthorised, irregular, fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2) of the MFMA.

Human resource management

65. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the Municipal Systems Act of South Africa, 2000 (Act No 32 of 2000).

Other information

66. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report and the audit committee's report. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
67. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
68. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
69. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

70. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

The municipality has an approved code of professional conduct which is meant to create a culture of good governance and ethical behaviour; however, compliance with this code is not enforced, with the result that the officials generally do not display a sense of urgency, due care and professional competency in the execution of their duties. This is manifest in the nature and type of audit findings reported on financial statements, performance information and compliance with legislation.

The accounting officer did not monitor the performance of senior management through a performance assessment process to identify areas of poor performance and to enable implementation of relevant consequences.

Municipal officials did not have adequate skills and knowledge required for financial management and reporting, management of performance information and reporting and supply chain management. Management appointed consultants to address the skills gap for financial management, but a skills transfer did not take place and the performance of consultants was not monitored.

Management did not design and implement appropriate systems and processes to reliably report on performance against pre-determined objectives.

Management did not develop and implement a compliance checklist to monitor compliance with legislation, which resulted in significant findings on compliance with laws and regulations.

Management did not adequately review the financial and performance reports to confirm the reliability of the reports before their submission to the audit committee and external auditors.

Management did not have a policy and standard operating procedures for performance management, individual performance assessments and assessments for acting positions.

Other reports

71. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

72. Investigations into the investment of funds by the municipality with VBS Mutual Bank contrary to the requirements of regulation 6 of the Municipal Investment Regulations by the municipal public accounts committee, and the Directorate of Priority Crime Investigations (Hawks) are currently still in progress. Similar investigations by the North West Department of Local Government and Human Settlements and the financial disciplinary board were concluded and the reports were submitted to the Council.

73. The Special Investigations Unit (SIU) and the Hawks were instructed by the President of South Africa under proclamation R.7 of 2019 dated 8 February 2019 to conduct an investigation into certain contracts awarded by the municipality from January 2016 to February 2019. This investigation was still in progress.

Annexure - Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality's compliance with respect to the selected subject matters.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.

- conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Moretele Local Municipality ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipality to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and where applicable, related safeguards.

4.11 MUNICIPALITY'S ANNUAL FINANCIAL STATEMENTS 2018/2019

**The 2018/2019 Annual Financial Statement are attached as
appendix H**

PART II

Appendix A: Councillors, Committee Allocation and Council Attendance

Summary of Council Members			
Initials and Surname	Gender	OCCUPATION	Ward number or Proportional Representation
M A Monaheng	M	Mayor	3
T L Sekhaolela	F	Speaker	Proportional representation
K J Molefe	M	Single whip	Proportional representation
M J Kau	M	MPAC chairperson	Proportional representation
M J Makwela	M	Portfolio Chairperson	Proportional representation
B M Mangena	F	Portfolio Chairperson	Proportional representation
D Sephelle	M	Portfolio Chairperson	Proportional representation
K Mleta	F	Portfolio Chairperson	Proportional representation
L A Motsepe	M	Portfolio Chairperson	14
Z Raletjana	M	Councilor	1
M Moatshe	F	Councilor	2
D Sono	M	Councilor	4
M Mosetlhe	M	Councilor	5
P Letlhabi	M	Councilor	6
M Gwebu	M	Councilor	7
S Mathatho	F	Councilor	8
M Mohomana	M	Councilor	9
M Molefe	M	Councilor	10
M Chauke	M	Councilor	11
K Mokadi	F	Councilor	12
M Madumo	F	Councilor	13
J Mekhela	M	Councilor	15
S Nkoana	M	Councilor	16
M Mathe	M	Councilor	17
S Monklets	M	Councilor	18

M Motsepe	F	Councilor	19
S Molomo	F	Councilor	20
M Ntswaki	F	Councilor	21
P Mahlangu	F	Councilor	22
K Malukela	M	Councilor	23
S Mokgara	M	Councilor	24
R Tseke	M	Councilor	25
O Moraka	F	Councilor	26
L Letebele	F	Councilor	Proportional representation
M Ramadi	F	Councilor	Proportional representation
M Makgathulela	F	Councilor	Proportional representation
R Lekalakala	F	Councilor	Proportional representation
M Mosipa	F	Councilor	Proportional representation
S Kutumela	M	Councilor	Proportional representation
S Modisa	M	Councilor	Proportional representation
S Magalefa	M	Councilor	Proportional representation
E Mahlangu	F	Councilor	Proportional representation
M Shai	F	Councilor	Proportional representation
R Kutumela	F	Councilor	Proportional representation
L Moselane	M	Councilor	Proportional representation
M Modiba	F	Councilor	Proportional representation
W Mavundla	M	Councilor	Proportional representation
T Hlongwane	M	Councilor	Proportional representation
M Mpande	F	Councilor	Proportional representation

T Ngobeni	F	Councilor	Proportional representation
M Mbekwa	M	Councilor	Proportional representation

The table below categorizes the Councillors within their specific political parties, representation and council meetings attended for the 2018/19 Financial year.

Councillor	Capacity	Political party	Proportional or Ward representation	Council meetings attended
1.Cllr. Zacharia S. Raletjena	Councillor	ANC	Ward Councillor	08
2.Cllr. Mosidi C. Moatshe	Councillor	ANC	Ward Councillor	11
3. Cllr. Makinta A Monaheng	Councillor	ANC	Ward Councillor	12
4. Cllr. David Sono	Councillor	ANC	Ward Councillor	06
5.Cllr. Makena J. Mosetlhe	Councillor	ANC	Ward Councillor	10
6.Cllr. Semetsa P Letlhabi	Councillor	ANC	Ward Councillor	05
7.Cllr. Mfana P. Gwebu	Councillor	ANC	Ward Councillor	13
8.Cllr. Salome Mathatho	Councillor	ANC	Ward Councillor	12
9.Cllr. Marengola J. Mohomana	Councillor	ANC	Ward Councillor	11
10.Cllr. Morake G. Molefe	Councillor	ANC	Ward Councillor	13
11.Cllr. Mzamane M. Chauke	Councillor	ANC	Ward Councillor	11
12.Cllr.Kale L. Mokadi	Councillor	ANC	Ward Councillor	14
13.Cllr. Mmalekgetho G. Madumo	Councillor	ANC	Ward Councillor	10
14.Cllr.Lucky A. Motsepe	Councillor	ANC	Ward Councillor	11
15.Cllr.Japhta Makhobela	Councillor	ANC	Ward Councillor	11
16.Cllr. Samuel Nkoana	Councillor	ANC	Ward Councillor	06
17.Cllr.Moses A. Mathe	Councillor	ANC	Ward Councillor	14
18. Cllr. Sello L. Moekeletsi	Councillor	ANC	Ward Councillor	11
19.Cllr. Mamoraba R. Motsepe	Councillor	ANC	Ward Councillor	10
20.Cllr. Sodi P. Molomo	Councillor	ANC	Ward Councillor	11

21.Cllr. Molatlhegi W. Ntseke	Councillor	ANC	Ward Councillor	12
22. Cllr. Phahla P. Mahlangu	Councillor	ANC	Ward Councillor	12
1223.Cllr. Kenny Maluleka	Councillor	ANC	Ward Councillor	11
24.Cllr. Sello I. Mokgara	Councillor	ANC	Ward Councillor	13
25. Cllr. Nnuki R. Tseke	Councillor	ANC	Ward Councillor	15
26. Cllr.Khudu Onnicah Moraka	Councillor	ANC	Ward Councillor	10
27. Cllr.Kabifa J. Molefe	Councillor	ANC	PR Councillor	13
28. Cllr. Kaike Mleta	Councillor	ANC	PR Councillor	12
29. Cllr. Tenkwane L. Sekhaolela	Councillor	ANC	PR Councillor	14
30. Cllr. Mashaoe J. Makwela	Councillor	ANC	PR Councillor	10
31.Cllr. Maite B. Mangena	Councillor	ANC	PR Councillor	12
32. Cllr. Lauretta Magdeline Letebele	Councillor	ANC	PR Councillor	12
33. Cllr. Boetinyana William Baloyi	Councillor	ANC	PR Councillor	01
34. Cllr. Mmamoshito A. Ramadi	Councillor	ANC	PR Councillor	13
35. Cllr. Mmakuba G. Makgathulela	Councillor	ANC	PR Councillor	08
36. Cllr. Matlhomola J. Kau	Councillor	ANC	PR Councillor	11
37. Cllr. Ramasela C. Lekalakala	Councillor	ANC	PR Councillor	09
38. Cllr. Makgaodi E. Mosipa	Councillor	ANC	PR Councillor	10
39. Cllr. Stephens A. Kutumela	Councillor	DA	PR Councillor	09
40. Cllr. Sefofu J. Modisa	Councillor	DA	PR Councillor	06
41. Cllr. Solomon R. Magalefa	Councillor	DA	PR Councillor	07
42.Cllr. Esther Mahlangu	Councillor	DA	PR Councillor	11
43. Cllr. Baruti D. Sephelle	Councillor	EFF	PR Councillor	05
44. Cllr.Makaleng C. Shai	Councillor	EFF	PR Councillor	06
45. Cllr. Ramasela M.E. Kutumela	Councillor	EFF	PR Councillor	06
46. Cllr.Lesiba E. Moselane	Councillor	EFF	PR Councillor	05

47. Cllr. Mmakarala G. Modiba	Councillor	EFF	PR Councillor	06
48. Cllr. William Mavundla	Councillor	EFF	PR Councillor	05
49. Cllr. Tebogo E. Hlongwane	Councillor	EFF	PR Councillor	05
50.Cllr. Mapule C. Mpande	Councillor	EFF	PR Councillor	04
51. Cllr. Tsholofelo Ngobeni	Councillor	COPE	PR Councillor	03
52. Cllr. David S. Mbekwa	Councillor	ACG	PR Councillor	03

Appendix B: Committee and committee purposes

Information on Committees					
Committee	Committee purpose	Chairperson	Type of Committee	Number of items submitted to Council	Meeting dates
Portfolio Committee: Infrastructure Development Services Finance	To monitor and the activities of the relevant administrative department in respect of Infrastructure Development and Service Delivery activities.	K. J Motsepe	s.80		March May June September December
Portfolio Committee: LED, Land Use and Traditional Affairs	To monitor and the activities of the relevant administrative department in respect of local economic development activities. To advise council through the executive committee on improvements that could be effected.	M Makwela	s.80		March May June September December
Portfolio Committee: IDP & PMS	To monitor and the activities of the relevant administrative department in respect of strategic planning and	D Sephelle	s.80	10	March May June September December

	performance management activities. To advise council through the executive committee on improvements that could be effected.				
Portfolio Committee: Community Development services, Sports art and Culture	To monitor and the activities of the relevant administrative department in respect of community development activities. To advise council through the executive committee on improvements that could be effected.	N K Mleta	s.80		March May June September December
Portfolio Committee: MPAC	To ensure that municipal finances are properly managed and to advise council on ways and means whereby utilisation and monitoring of municipal expenditure and income management can be improved.	M.J Kau	s.80	14	19th July 2018 26th July 2018 28th July 2018 21st August 2018 10th September 2018 11th September 2018 23rd October 2018 14th November 2018 30th January 2019 05th February 2019 25th February 2019. 26th February 2019 07 March 2019 20 & 21 March 2019 22-24 March 2019

					25 March 2019 29th March 2019
Human Resource and Corporate Service	To monitor and the activities of the relevant administrative department in respect of administration, Human Resource and Education activities. To advise council through the executive committee on improvements that could be effected.	B.M Mangena	s.80	08 Items 06 Items 01 Report	20/09/2018 19/03/2019
Budget and Treasury	To monitor and the activities of the relevant administrative department in respect of finance activities. To advise council through the executive committee on improvements that could be effected.	M Makwela	s.80		March May June September December

APPENDIX C: THIRD TIER ADMINISTRATIVE STRUCTURE

Third tier structure		
Directorate	Title	Manager
Office of the Mayor	Manager office of the Mayor	Mr SS Setshedi
	Acting Manager Special Project	Mr PK Moseki
	Manager IGR and Protocol	Ms G Zikhali
Office of the Speaker	Acting Manager office of the Speaker	Mr M Rankhumise
	Manager Council Support	Mrs S Minyuku
	Manager MPAC	Mr M Madise
Office of Municipal Manager	Manager office of the MM	Mr SM Ramagaga
	Manager Internal Audit	Ms DB Klaas
	Manager IDP/PMS	Mr NL Llale
	Manager Communications	Mr A Malebye
	Manager Events	Mr MG Manyike
	Acting Chief Risk Officer	Mr R Mahumani
Budget and Treasury Office	Senior Manager Assets Management	Mr GJ Moatshe
	Manager Assets Management	Ms A Matlala
	Acting Manager Expenditure	Mr T Dire
	Manager Reporting	Ms MJ Molokoane
	Manager Revenue Management	Ms L Kgatle
	Acting Manager SCM	Ms ML Phenya
Human resources and Corporate Services	Manager HR	Mr J Mabaso
	Manager HRD	Ms PN Mahlo
	Manager Records Management	Ms L Manyane
	Manager EAP	Ms LL Leballo
	Manager ICT	Mr WT Nxumalo
	Manager Security Services	Mr A Mashigwana
	Manager Fleet Management	Mr A Naake
	Manager MPCC & Facilities	Mr E Lamola

Community Development Services	Acting Manager Sports, arts, culture and education	Mr SMJ Mathibe
	Manager Disaster Management	Ms MM Moselane
Infrastructure Development Services	Manager PMU	Mr P Mokori
	Manager Water and Sanitation	Ms P Mabotja
	Manager Roads and Stormwater	Mr SE Thejane
Local Economic Development	Manager Job Creation & SMME	Mr CT Motshegoa
	Manager Tourism & Agriculture	Mr TH Mohalanyane

Appendix D: Functions of the municipality

Municipal Function	Municipal Function Yes/No	Performance Analysis
Constitution Schedule 4, Part B functions		
Air Pollution	Yes	Not performed
Building Regulation	Yes	Not adequately performed
Child Care Facilities	Yes	Not performed
Electricity	No	DME / Eskom
Fire Fighting	No	Performed as part of the District function
Local Tourism	Yes	Performed though not optimally
Municipal Airport	Yes	Not performed.
Municipal Planning	Yes	Performed. IDP and other planning processes
Municipal Health Services	No	Performed as part of the District function
Municipal Public Transport	Yes	Not adequately performed
Pontoons and Ferries	Yes	Not performed
Storm Water	Yes	Not adequately performed.
Trading Regulations	Yes	Not performed
Water (potable)	Yes	Performed
Sanitation	Yes	Performed
Constitution Schedule 5, Part B functions		
Beaches and Amusement Facilities	Yes	Not performed
Billboards and the Display of Advertisement in Public Places	Yes	Not performed
Cemeteries, Funeral Parlours and Crematoria	Yes, including the District Municipality's function	Not adequately performed
Cleansing	Yes	Not performed
Control of Public Nuisance	Yes	Not performed

Control of Undertaking that Sell Liquor to the public	Yes	Not performed
Facilities for the accommodation, care and burial of animals	Yes	Not performed
Fencing and Fences	Yes	Not performed
Licensing of dogs	Yes	Not performed
Licensing of undertakings that sell food to the Public	Yes	Not performed
Local Amenities	Yes	Not performed
Local Sports Facilities	Yes	Performed though not optimally
Markets	Yes	Not performed
Municipal Abattoirs	Yes	Not performed
Municipal Parks and Recreation	Yes	Performed though not optimally
Municipal Roads	Yes	Performed though not optimally
Noise Pollution	Yes	Not performed
Pounds	Yes	Not performed
Public Places	Yes	Not performed
Refuse Removal, refuse Dumps and solid waste disposal	Yes	Performed though not optimally. The project has since collapsed
Street Trading	Yes	Not performed
Street Lighting	Yes	Performed though not optimally
Traffic and Parking	Yes	Not performed

The municipality, over and above the functions listed above, performs the following functions:

- Health coordination
- Disaster management

Appendix E: Ward Reporting

Dates for Ward Mass Meetings				
Ward	Quarter 1	Quarter 2	Quarter 3	Quarter 4
1	09 & 21 July 2018 10 & 20 August 2018 13 September 2018	01,06 & 07 October 2018 09 November 2018	29 January 2019 29 March 2019	20 April 2019
2	21 & 22 August 2018 27 September 2018	16 October 2018 14 November 2018	02 February 2019 12,17 & 28 March 2019	01 & 18 May 2019 02 & 19 June 2019
3	16 July 2018 16 August 2018 10 September 2018	10 October 2018 09 September 2018 10 December 2018	10 January 2019 11 February 2019 11 March 2019	10 April 2019 10 May 2019 10 June 2019
4	13 August 2018 27 September 2018	13 October 2018 03 November 2018 05 December 2018	15 January 2019 22 February 2019 23 March 2019 28 & 30 April 2019	18 May 2019 22 June 2019
5	18 July 2018 24 August 2018 15 September 2018	10 October 2018 04 November 2018 18 December 2018	18 January 2019 22 & 29 February 2019 12 March 2019	14 & 17 April 2019 06 & 21 May 2019 04 June 2019
6	21 July 2018 25 August 2018 16 September 2018	04 October 2018 11 November 2018	10 January 2019 01 & 09 February 2019 20 March 2019	06,13 & 30 April 2019 05 July 2018 06 August 2018 05 July 2018 06 August 2018 06 & 29 June 2019
7	24 & 25 July 2018 09 & 15 August 2018 08 & 17 September 2018	11 October 2018	12 & 19 February 2019 20 March 2019	16 & 17 April 2019 22 & 29 May 2019 20 & 22 June 2019

8	26 August 2018 21 September 2018	04 November 2018 14 December 2018	27 January 2019 17 February 2019 23 March 2019	23 & 25 June 2019
9	22 September 2018	08 December 2018	23 March 2019	22 June 2019
10	14 July 2018 25 August 2018 13 September 2018	15 & 20 November 2018	26 January 2019 26 February 2019 16 March 2019	N/A
11	20 July 2018 07 & 19 August 2018	06 October 2018 03 November 2018	09 February 2019 17 March 2019	06 & 30 June 2019
12	01 & 28 July 2018 11 & 18 August 2018 15 & 29 September 2018	20 October 2018 07 & 24 November 2018 08 December 2018	26 January 2019 23 February 2019 16 March 2019	20 April 2019 11 May 2019 04 June 2019
13	11 July 2018 17 August 2018 28 September 2018	07 October 2018 24 November 2018 15 December 2018	26 January 2019 23 February 2019 23 March 2019	18 April 2019 15 May 2019 08 June 2019
14	23 July 2018 27 August 2018 24 September 2018	29 October 2018 26 November 2018 10 December 2018	28 January 2019 25 February 2019 25 March 2019	29 April 2019 27 May 2019 24 June 2019
15	21 July 2018 18 August 2018 15 September 2018	20 October 2018 17 November 2018 10 December 2018	07 January 2019 06 February 2019 23 March 2019	20 April 2019 25 May 2019 22 June 2019
16	13 August 2018	20 October 2018	N/A	11 & 25 June 2019
17	05 July 2018 16 August 2018	25 October 2018	16 & 17 January 2019 05, 21, 23, & 26 February 2019	06 June 2019
18	15 July 2018 18 & 19 August 2018	22 October 2018 06 November 2018	25 January 2019 08 February 2019 17 March 2019	16 April 2019 19 May 2019 16 June 2019

	16 September 2018			
19	11 July 2018 31 August 2018	11 October 2018 11 November 2018 11 December 2018	11 January 2019 25 February 2019	04 May 2019
20	11, 14, & 28 July 2018 11, 15 & 22 August 2018 01, 11 & 22 September 2018	11 & 20 October 2018 11 & 24 November 2018	16 & 22 January 2019 16 February 2019 11 & 30 March 2019	11 & 27 April 2019 11 May 2019 11, 16 & 18 June 2019
21	21 July 2018 25 August 2018 22 September 2018	20 October 2018 24 November 2018 15 December 2018	23 January 2019 23 February 2019 23 March 2019	27 April 2019 25 May 2019 22 June 2019
22	01 July 2018 18 August 2018	27 October 2018 25 November 2018 08 December 2018	23 March 2019	25 April 2019 22 June 2019
23	01, 14, 22 & 28 July 2018 12 August 2018	11 November 2019	16 & 25 January 2019 09 & 17 February 2019 13 March 2019	31 May 2019 05, 15 & 16 June 2019
24	11 July 2018 11 August 2018 11 September 2018	11 October 2018 11 November 2018 11 December 2018	11 January 2019 11 February 2019 11 March 2019	11 April 2019 11 May 2019 11 June 2019
25	11 July 2018 11 August 2018 11 September 2018	11 October 2018 11 November 2018 11 December 2018	23 February 2019 11 March 2019	11 April 2019 23 May 2019 11 June 2010
26	05 July 2018 21 August 2018 27 September 2018	11 October 2018 14 November 2018	23 January 2019 24 February 2019 08 March 2019	26 April 2019 24 May 2019 18 June 2019

		11 December 2018		
--	--	---------------------	--	--

Ward Committee Meetings: Ward 1		
Name of representative	Capacity representing	Dates of meetings held during the year
1. Zacharia Raletjena	Ward Councillor	04 July 2018 08 August 2018 06 September 2018 04 October 2018 07 November 2018 05 December 2018 09 January 2019 06 February 2019 06 March 2019 04 April 2019 08 May 2019 05 June 2019
2. Esther Motlou	Ward Secretary	
3. Mpolokeng Mosaka		
4. Lizia Maine	Land, Traditional Affairs and Special Project	
5. Malebo Maloba	IDP and Planning	
6. Naledi Ditsele	HSE	
7. Zodwa Xaba	Social Services	
8. Melita Tabane	Roads, Transport and Community safety	
9. Busisiwe Mndebele	Ward health, Sports and Education	
10. David Malope	LED	
11. William Magwete	IDS	

Ward Committee Meetings: Ward 2		
Name of representative	Capacity representing	Dates of meetings held during the year
1. Cate Moatshe	Ward Councillor	06 July 2018 07 August 2018 07 September 2018 05 October 2018 08 November 2018 07 December 2018
2. Vincent Moumakwe	Ward Secretary	
3. Samuel Mabunda	LED	
4. Abram Matlala		
5. Johannah Diseko	IDP and Planning	
6. Paul Ngobeni		

7. Paulina Motshegoa	Water and Sanitation	07 January 2019
8. Dolorosah Molautsi	Social Service	07 February 2019
9. Felicia Monama	Community Safety, Roads and Transport	07 March 2019
		06 April 2019
10. Thalitha Monageng		07 May 2019
11. Elizabeth Mashaba	Health and Disaster	07 June 2019

Ward Committee Meetings: Ward 3		
Name of representative	Capacity representing	Dates of meetings held during the year
1. Makinta A. Monaheng	Ward Cllr	13 July 2018
2. Vincent Shakwane	Ward Secretary	14 August 2018
3. Linah Baloyi	Human Settlements & Electricity	06 September 2018
4. Maria Sefike	IDP & PMS	03 October 2018
5. Andrew Kubyane	Health & Disaster Management	09 November 2018
6. William Maboja	LED	10 December 2018
7. Rosinah Kubyane	Special Projects & Traditional Affairs	10 January 2019
8. Sonnyboy Maimela	Water & Sanitation	11 February 2019
9. Kedibone Maluleka	Education, Arts & Culture	11 March 2019
10. Patrick Matsha	Roads, Transport & Community Safety	10 April 2019
11. Angelinah Baloyi	Social Services	10 May 2019
13. Caroline Lekalakala	PR Councillor	10 June 2019

Ward Committee Meetings: Ward 4		
Name of representative	Capacity representing	Dates of meetings held during the year
David Sono	(Ward Councillor)	04 July 2018
Dinah L. Kganyago	(Ward Secretary)	30 August 2018
Jeremiah R. Moeng	Health and Disaster	08 September 2018
Martha M. Sethole	IDP and Planning	03 October 2018
Rebecca R. Kgoadi	Social development	

Moses M. Matlala	Education, Sport and Art	08 November 2018
Moshidi P. Moloto		04 December 2018
Puleng Modise	Road and Transport	08 January 2019
Millicent P. Kekana	Water and Sanitation	05 February 2019
Ayanda Khanyile	Special projects, Land and Traditional Affairs	05 March 2019
		02 April 2019
		03 May 2019
		05 June 2019

Ward Committee Meetings: Ward 5		
Name of representative	Capacity representing	Dates of meetings held during the year
Joel Mosetlhe	(Ward Councillor)	04 July 2018
Lucas Malebye	(Ward Secretary)	02 August 2018
Rosinah Ramela	Human Settlements & Electricity	03 September 2018
Nomqibelo Mashile	IDP & PMS	05 October 2018
Tintswalo Ncala	Health & Disaster Management	07 November 2018
George Ngobeni	LED	02 December 2018
Godfrey Maluleka	Special Projects & Traditional Affairs	05 January 2019
Armanda Kubyana	Water & Sanitation	02 February 2018
Kgomotso Mogale	Education, Arts & Culture	04 March 2019
Jaconias Ngapo	Roads, Transport & Community Safety	02 April 2019
Johanna M. More	Social Services	07 May 2019
		08 June 2019

Ward Committee Meetings: Ward 6		
Name of representative	Capacity representing	Dates of meetings held during the year
Peter S. Letlhabi	(Ward Councillor)	04 July 2018
Malefsane Rachtianga	(Ward Secretary)	02 August 2018
Benjamin Makgopela	Roads, Transport & Community Safety	07 September 2018
Ramokotedi Ramokgopa	Water & Sanitation	05 October 2018

Amos Molwelang	Education, Sports & Sports, Arts & Culture	05 November 2018 11 December 2018
Maria Mabula	Electricity & Human Settlements	14 January 2019
Solomon Mashishi	Local Economic Development	04 February 2019
Tabea Mongwe	Integrated Development Planning	05 March 2019
Nelly Malatsi	Social Services	06 April 2019
Stephinah Matsila	Health & Disaster Management	10 May 2019
Sello Modise	Land & Traditional Affairs	04 June 2019

Ward Committee Meetings: Ward 7		
Name of representative	Capacity representing	Dates of meetings held during the year
Phillip M. Gwebu	Ward Councillor	03 July 2018
Mesolo G. Modiba	Ward Secretary	05 August 2018
Rapulana D. Sealetsa	Human Settlements & Electricity	03 September 2018
Ronny S. Mabasa	IDP & PMS	04 October 2018
Merriam T. Maribe	Health & Disaster Management	06 November 2018
Joseph T. Nhleko	LED	04 December 2018
Anna Manyeki	Special Projects & Traditional Affairs	03 January 2019
Machake L. Mosane	Water & Sanitation	07 February 2019
Abram N. Napo	Education, Arts & Culture	06 March 2019
Tintswalo M. Baloyi	Roads, Transport & Community Safety	03 April 2019
Simon S. Mosebedi	Social Services	13 May 2019
		04 June 2019

Ward Committee Meetings: Ward 8		
Name of representative	Capacity representing	Dates of meetings held during the year
1. Salome Mathatho	Ward Councillor	05 July 2018
2. Nella Mabe	Ward Secretary	07 August 2018
3. Gladys Soji	LED	09 September 2018
4. Mpho Sarela		04 October 2018
5. Florence Thubakgale	Electricity & Human Settlements	06 November 2018
6. Lerato Masopoga	Health & Disaster Management	05 December 2018

7.Lenah Masenya	Land & Traditional Affairs	16 January 2019
8.Reuben Malete	Roads, Transport & Community Safety	08 February 2019
9.Rachel Molojwa	Social Services	08 March 2019
10.Dorothy Baloyi	IDP	04 April 2019
11. Martin Rakimane	Sports,Arts & Culture	08 May 2019
12. William Mavundla	PR Councillor	06 June 2019
14. David Mbekwa	PR Councillor	

Ward Committee Meetings: Ward 9		
Name of representative	Capacity representing	Dates of meetings held during the year
1.John Mohomana	Ward Councillor	04 July 2018
2. Nkele Matlhafunya	Ward Secretary	01 August 2018
3.Daniel Ringane	Land & Traditional Affairs	05 September 2018
4.Winnie Sibeko	Health & Disaster Management	03 October 2018
5.Silas Motshegoa	Local Economic Development	07 November 2018
6. Lesego Setumo	Infrastructure development Services (Human Settlements & Electricity)	05 December 2018
7.Ricah Naapo	Water & Sanitation	02 January 2019
8.Johannes Moobeng	Education, Sports, Arts & Culture	06 February 2019
9.Martha Chabalala	Social Services	06 March 2019
10.Andries Ditlhake	Roads, Transport & Community Safety	03 April 2019
11.Stephinah Magopa	Infrastructure Development Services	10 May 2019
		05 June 2019

Ward Committee Meetings: Ward 10		
Name of representative	Capacity representing	Dates of meetings held during the year
Molefe Morake	Ward Councillor	03 July 2018

Dannyboy Mathimbi	Ward Secretary	07 August 2018
Constance Maluleke	Human Settlements & Electricity	02 September 2018
Rebecca Chauke	IDP & PMS	02 October 2018
Obakeng Shumane	Health & Disaster Management	06 November 2018
Rosy Letlape	LED	04 December 2018
Adolphinah Singo	Special Projects & Traditional Affairs	06 January 2019
Kgomotso Rapoo	Water & Sanitation	06 February 2019
Simon Tsheule	Education, Arts & Culture	05 March 2019
Kedibone Llale	Roads, Transport & Community Safety	April 2019
Tsholanang Pitswane	Social Services	15 May 2019
		04 June 2019

Ward Committee Meetings: Ward 11		
Name of representative	Capacity representing	Dates of meetings held during the year
Michael M. Chauke	Ward Councillor	27 August 2018
Ben T. Maluleka	Ward Secretary	07 September 2018
Kortman Shoba	Human Settlements & Electricity	08 October 2018
Nicholas Mailoane	IDP & PMS	08 November 2018
Donald Lamola	Health & Disaster Management	07 December 2018
Isaac Ntepane	LED	11 January 2019
Elias Chauke	Special Projects & Traditional Affairs	08 March 2019
Phillemon Masemola	Water & Sanitation	09 April 2019
Johannah Ngobeni	Education, Arts & Culture	
Martina Seema	Roads, Transport & Community Safety	
Alfred Sekwele	Social Services	

Ward Committee Meetings: Ward 12		
Name of representative	Capacity representing	Dates of meetings held during the year
1.Letta Mokadi	Ward Councillor	04 July 2018

2.Johannah Leremi	Ward Secretary	07 August 2018
3.Bethuel Ngwandura	Infrastructure Development Services	04 September 2018
4. Frank Mashaba	Sports, Arts & Culture	02 October 2018
5. Rose Baloyi	IDP & PMS	06 November 2018
6.Daphney Letsoalo	Health & Disaster Management	04 December 2018
7.William Kekana	Land & Traditional Affairs	08 January 2019
8.Josinah Matjitji	Social Services	05 February 2019
9.Puseletso Modise	Water & Sanitation	05 March 2019
10.Moseki Mathabathe	Roads, Transport & Community Safety	02 April 2019
11.Lydia Lebembe		07 May 2019
		04 June 2019

Ward Committee Meetings: Ward 13		
Name of representative	Capacity representing	Dates of meetings held during the year
1.Mmalekgetho G. Madumo	Ward Councillor	06 July 2018
2.	Ward Secretary (Vacant)	06 August 2018
3.Stanley Maboela	Education, Sports, Arts & Culture	01 September 2018
4.Phillemon Baloyi	Social Services	06 October 2018
5.Maria Chauke	Health & Disaster Services	07 November 2018
6.Rose Geduza	Water & Sanitation	08 December 2018
7.Jimmy Mosetlha	Roads, Transport & Community Safety	07 January 2019
8.Thenjiwe Sekonyela	LED	06 February 2019
9.David Masenya	Land & Traditional Affairs	06 March 2019
10.Annie Nkuna	Human Settlements & Electricity	08 April 2019
11.Nnana Mareka	IDP	15 May 2019
		03 June 2019

Ward Committee Meetings: Ward 14		
Name of representative	Capacity representing	Dates of meetings held during the year

1.Lucky A. Motsepe	Ward Councillor	02 July 2018
2.Matime Makete	Ward Secretary	06 August 2018
3.Anna Sebolai	Health & Disaster Services	03 September 2018
4.Selina Molatelo	Special Projects	01 October 2018
5.Naome Lesabane	Sports, Arts & Culture & Education	05 November 2018
6.Maggy Selahle	IDP	03 December 2018
7.Elizabeth Mokwatedi	IDS	14 January 2019
8.William Ratshweni	LED	04 February 2019
9.Bradley Malapane	Water & Sanitation	04 March 2019
10.Martha Mkhabela	Electricity & Human Settlements	01 April 2019
11.Florence Khoza	Land & Traditional Affairs	06 May 2019
		03 June 2019

Ward Committee Meetings: Ward 15		
Name of representative	Capacity representing	Dates of meetings held during the year
Japhta Makhubela	Ward Cllr	04 July 2018
Morake Makou	Ward Secretary	01 August 2018
Itumeleng Mphaga	IDP and PMS	05 September 2018
McCollen Malungane	Sports, Arts & Culture	03 October 2018
Mary Tshabangu	Social Development Services	07 November 2018
Linkie Moalusi	LED	05 December 2018
Lebogang Mosana	Health Services	07 January 2019
Germinah Ledwaba	Community Safety, Roads & Transport	06 February 2019
Steve Mfete	Human Settlements & Electricity	06 March 2019
Boy Letshwene	Land & Traditional Affairs	03 April 2019
Josephina Matlou	Infrastructure Development Services(Water & Sanitation)	01 May 2019
		05 June 2019

Ward Committee Meetings: Ward 16		
Name of representative	Capacity representing	Dates of meetings held during the year
Samuel Nkoana	Ward Councillor	10 July 2018
Enos Lehabe	Ward Secretary	07 August 2018

Dipuo Sithole	Infrastructure Dev. Services (water & sanitation)	11 September 2018
Grace Seriti	LED	09 October 2018
Gladys Molefe	Land & Traditional Affairs	13 November 2018
Smangele Ndlovu	Youth, Sports , Arts & Culture & Education (Special Projects)	03 December 2018
Johanna Madiba	Social Services	08 January 2019
Kabelo Mathole	Human Settlements & Electricity	12 February 2019
Emma Monametsi	IDP & PMS	06 March 2019
Regina Mahlaba	Health and Disaster Management	09 April 2019
Rina Mashamaite	Community Safety, Roads & Transport	13 May 2019
		11 June 2019

Ward Committee Meetings: Ward 17		
Name of representative	Capacity representing	Dates of meetings held during the year
Moses Mathe	Ward Councillor	05 July 2018
Bernard Matjeke	Ward Secretary	06 August 2018
John Mathibe	Land & Traditional Affairs	05 September 2018
Moses Selapa	Education, Sports, Arts & Culture	04 October 2018
Anna Matshoge	Health & Disaster Management	06 November 2018
Lillian Gafane	IDP	05 December 2018
Maria Molaodi	LED	07 January 2019
Matthews Monageng	Roads, Transport & Community Safety	05 February 2019
Violet Lehobye	Human Settlements & Electricity	06 March 2019
Boitumelo Maseko	Social Services	02 April 2019
Emily Sehalahala	Water & Sanitation	07 May 2019
		04 June 2019

Ward Committee Meetings: Ward 18		
Name of representative	Capacity representing	Dates of meetings held during the year
Sello Moekelets	Ward Councillor	06 July 2018
Connie Mashaba	Ward Secretary	07 August 2018

Vangi Chauke	Roads, Transport & Community Safety	04 September 2018
Mpho Chauke	Electricity & Human Settlements	08 October 2018
Mary Hlangwane	Social Services	05 November 2018
Thato Mlambo	Education, Sports, Arts & Culture	03 December 2018
Elizabeth Ledingwane	Health & Disaster Management	09 January 2019
Tlhwaele Samuel	IDP	05 February 2019
Grace Skhosana	Water & Sanitation	05 March 2019
Stephens Phofedi	Land & Traditional Affairs	April 2019
Cathrine Sentle	LED	10 May 2019
		06 June 2019

Ward Committee Meetings: Ward 19		
Name of representative	Capacity representing	Dates of meetings held during the year
Mmamoraba R. Motsepe	Ward Councillor	05 July 2018
George Hlongwane	Ward Secretary	03 August 2018
Rebecca Mahlaola	Human Settlements & Electricity	06 September 2018
Maria Letsoalo	IDP & PMS	04 October 2018
Rakgadi Mokatse	Health & Disaster Management	05 November 2018
Abram Matlala	LED	06 December 2018
Lebogang Aphone	Special Projects & Traditional Affairs	04 January 2019
Doriccah Mmatlwa	Water & Sanitation	21 February 2019
Malebo Mkhondo	Education, Arts & Culture	07 March 2019
Paulinah Naka	Roads, Transport & Community Safety	09 April 2019
Angelina Matlala	Social Services	04 May 2019
13.Mosibudi Ramollo	CDW	06 June 2019

Ward Committee Meetings: Ward 20		
Name of representative	Capacity representing	Dates of meetings held during the year
Patricia Molomo	Ward Councillor	15 July 2018
Rosina Molomo	Ward Secretary	07 August 2018

Alphinah Monku		06 September 2018
Simon Mabuela		03 October 2018
Portia Chabalala		06 November 2018
Lucas Mondlane		06 December 2018
Andries Moobeng		15 January 2019
Elizabeth Moseki		05 February 2019
Lettie Kotu		05 March 2019
Mirriam Maluleka		09 April 2019
Simon Seshabela		03 May 2019
		04 June 2019

Ward Committee Meetings: Ward 21		
Name of representative	Capacity representing	Dates of meetings held during the year
1. Welheminah Ntseke	Ward Councillor	05 July 2018
2. Belina Khoza	Ward Secretary	07 August 2018
3. Moses Mokgosi	Land & Traditional Affairs	04 September 2018
4. Daniel Motlhasedi	Water & Sanitation	04 October 2018
5. Dineo Maimane	Health & Disaster management	06 November 2018
6. Hendrick Mapela	Electricity & Human Settlement	04 December 2018
7. Mpho Molekwa	Education, Sports, Arts & Culture	10 January 2019
8. John Botji	Roads, Transport & Community Safety	07 February 2019
9. Nkele Mohafe	Social Services	07 March 2019
10. Levy Mabuse	Local Economic Development	09 April 2019
11. Mantsae Mabuela	IDP & PMS	07 May 2019
		06 June 2019

Ward Committee Meetings: Ward 22		
Name of representative	Capacity representing	Dates of meetings held during the year
Phahla P. Mahlangu	Ward Councillor	09 July 2018
Sonto Nkosi	Ward Secretary	08 August 2018
Nelly Mapoma	Local Economic Development	10 September 2018
Josephine M. Sithole	Sports, Arts & Culture	08 October 2018
Zebra Motshegoa	Roads, Transport & Community Safety	08 November 2018

Samuel Mokwena	Electricity & Human Settlements	05 December 2018
Kgothatso Matseke	Health & Disaster Management	09 January 2019
Tebogo Tlhwaela	Water & Sanitation	08 February 2019
Esther Maluleka	Integrated Development Planning	06 March 2019
Matshego J. Nobela	Social Services	09 April 2019
Louisa S. Letshwene	Land & Traditional Affairs	13 May 2019
		05 June 2019

Ward Committee Meetings: Ward 23		
Name of representative	Capacity representing	Dates of meetings held during the year
Kenny Maluleka	Ward Councillor	20 July 2018
Lazarus Baloyi	Ward Secretary	18 August 2018
Simon Kgasi	Human Settlements & Electricity	19 September 2018
Dipuo Maswanganyi	IDP & PMS	11 October 2018
Theresa Malatji	Health & Disaster Management	13 November 2018
Onnittah Ramahuta	LED	02 December 2018
Boitumelo Mbali	Special Projects & Traditional Affairs	16 January 2019
Elizabeth Modise	Water & Sanitation	13 February 2019
Kedibone Letswalo	Education, Arts & Culture	15 March 2019
Michael Nonyane	Roads, Transport & Community Safety	16 April 2019
	Social Services	16 May 2019
		05 June 2019

Ward Committee Meetings: Ward 24		
Name of representative	Capacity representing	Dates of meetings held during the year
Isaac Mokgara	Ward Councillor	04 July 2018
Tebogo Waleng	Ward Secretary)	06 August 2018
	Social Services	05 September 2018
Aletta Mokgadi	Roads, Transport & Community Safety	03 October 2018
Lydia Madumo	Education, Sports, Arts & Culture	06 November 2018
Mmamiki Mokgokolo	Water & Sanitation	05 December 2018
		07 January 2019

Thandi Peete	IDP & Planning	05 February 2019
Cate Mafafo	Human Settlements & Electricity	05 March 2019
Danny Nkutshweu	Local Economic Development	02 April 2019
Martha Mokgadi	Health & Disaster Management	02 May 2019
Stephina Rapotu	Special Projects & Land Traditional Affairs	05 June 2019

Ward Committee Meetings: Ward 25		
Name of representative	Capacity representing	Dates of meetings held during the year
Robert Tseke	Ward Councillor	02 July 2018
Malebo Boshomane	Ward Secretary	09 August 2018
Thapelo Seleke	Roads, Transport & Community Safety	05 September 2018
Peter Phatse	Education, Sports, Arts & Culture	12 October 2018
Elizabeth Mmako	Health & Disaster Management	05 November 2018
George Tibane	IDP & PMS	04 December 2018
Oarabile Mokaila	Local Economic Development	07 January 2019
Germinah Zitha	Water & Sanitation	03 February 2019
Nthongwa Mashilo	Land & Traditional Affairs	06 March 2019
Dan Mabotja	Infrastructure Development Services, Human Settlement & Electricity	02 April 2019
Immelda Gaditshose	Special Projects	05 May 2019
		06 June 2019

Ward Committee Meetings: Ward 26		
Name of representative	Capacity representing	Dates of meetings held during the year
Onnicca Moraka	Ward Councillor	06 July 2018
Onnicca Mamabolo	Ward Secretary	07 August 2018
Martha Setshedi	Water & Sanitation	07 September 2018
Julia Chabalala	Health & Disaster Management	16 October 2018
Sizwe Shezi	Electricity & Human Settlements	12 November 2018
Gopolang Thakadu	Sports, Arts & Culture	03 December 2018

Lettie Mathibe	Special Projects	15 January 2019
Simon Phago	Land & Traditional Affairs	07 February 2019
Thabo Mmotong	IDP & PMS	14 March 2019
Johannes Dibete	LED	11 April 2019
Jane Chauke	Roads, Transport & Community Safety	16 May 2019
		11 June 2019

Appendix F: Ward Committees and their functionality

Ward Committees and their functionality			
Ward Number	Committee established Yes/No	Number of reports submitted to Speaker's Office	Number of meetings held during the year
1	Yes	12	12
2	Yes	12	12
3	Yes	12	12
4	Yes	12	12
5	Yes	12	12
6	Yes	12	12
7	Yes	12	12
8	Yes	12	12
9	Yes	12	12
10	Yes	12	12
11	Yes	12	12
12	Yes	12	12
13	Yes	12	12
14	Yes	12	12
15	Yes	12	12
16	Yes	12	12
17	Yes	12	12
18	Yes	12	12
19	Yes	12	12
20	Yes	12	12
21	Yes	12	12
22	Yes	12	12
23	Yes	12	12

24	Yes	12	12
25	Yes	12	12
26	Yes	12	12

APPENDIX G: AUDIT COMMITTEE REPORT

Audit Committee Annual Report for the year ending 30 June 2019

Introduction

The Chairperson of the Audit Committee must report on a quarterly basis, or more frequently if required, to the Municipal Council on the operations of the Internal Audit Unit and the Audit Committee. The report should include:

- Details of meetings and the number of meetings attended by each member
- Responsibility of the audit committee
- A summary of the work performed by the internal audit, risk management and the audit committee against the annual work plan;
- Effectiveness of the internal controls and additional measures that must be implemented to address identified risks;
- A summary of key issues dealt with, such as significant internal and external audit;
- Findings, recommendations and updated status thereof;
- Progress with any investigations and their outcomes; and
- Other matters requested of the internal audit and audit committee.

We are pleased to present our annual report for the financial year ending 30 June 2019.

Committee Members and Attendance of meetings (Ordinary and Special)

In terms of Section 166 (4) (b) of the MFMA, the Audit Committee must meet as often as is required to perform its function, but at least four times a year. The audit committee met six (6) times in the 2018/19 as listed below:

Name of Member	Position in the Committee	No of meetings attended
Adv. JL Thubakgale	Chairperson	5
Mr C Motau	Member	6
Mr NT Mabunda	Member	6
Mr SP Simelane	Member	6

Audit Committee Responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of Sections 166 of the MFMA. We further report that we have conducted our affairs in compliance with this charter.

The Audit Committee shall have the authority to perform functions, and to obtain any information and advice, from within or outside the municipality or entity, in order to perform its functions. The Audit Committee may:

- Communicate with the Council, Municipal Manager or the Internal and External Auditors of the municipality or municipal entity;
- Have access to municipal records containing information that is needed to perform its duties or exercise its powers;
- Request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and

- Conduct investigations into the financial affairs of the municipality or municipal entity, as may be requested by the council of the municipality or in the case of a municipal entity, the council of the parent municipality of the board of directors of the entity.

The MPAC, in discharging its responsibility, may make use of any information provided by the Audit Committee to avoid duplication of efforts. The Audit Committee is guided by Section 166 of the MFMA and Treasury Regulations paragraph 27.1.8 and 27.1.10. The Audit Committee consist of non-executive members including the chairperson.

The Audit Committee has reviewed its Charter

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality in its audits. The Internal Audit function is implementing their 2018/2019 annual plan as approved by the Audit Committee. The Committee met with Internal Audit during the year to ensure that the function is executed effectively, independently and objectively. We are satisfied with the content and quality of quarterly reports prepared and issued by Internal Audit.

Risk Management

The committee has held three (3) meetings in the financial year 2018/2019. The terms of reference have been approved by the committee and the policies relating to risk management will be submitted to Council for approval. A quarterly report on risk management is submitted to the audit committee. Risk assessment workshop was held for the financial year 2018/2019.

Quarterly reports submitted

We reviewed the below reports:

- Quarterly Performance Reports.
- The challenge with performance is the personal assessment of Directors.
- Quarterly Budget Statements.
- Quarterly Internal Audit Progress Reports.
- Quarterly Progress on the Risk Management Implementation.
- Information and Communications Technology Reports for July 2017- March 2018.

The effectiveness of internal control

The system of internal control employed by the municipality to financial and risk management is partially effective. In line with the MFMA, Internal Audit provides the Audit Committee and management with reasonable assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

Meetings with stakeholders

The Chairperson of Municipal Public Accounts Committee attends the Audit Committee meetings.

Audit Committee Recommendations

During the reporting period, 42 resolutions were taken. From the analysis, 38 resolutions were implemented and 4 were not implemented. A recommendations register is developed for implementation by management.

Evaluation of Financial Statements

We have reviewed and discussed the unaudited annual financial statements and draft annual report for 2018/19 year.

Auditor-General South Africa

The Auditor General South Africa was invited to our meetings. The committee met with the AGSA 5 times during the 2018/19 financial year.

Conclusion

We would like to thank management and Internal Audit Unit for their support. We believe that they put high level of effort in making sure that we run a competent Municipality. We would also like to thank members of Municipal Council for their continued support.

Approved by

Adv. JL Thubakgale
Chairperson Audit Committee

Appendix G

Audit Committee Recommendations Register for 2018/2019

Date of Audit Committee meeting	Audit Committee Recommendations	Recommendation Adopted (Yes/No) If No, provide explanation
23 July 2018	The draft internal audit strategic and operational plan, methodology and charter be forwarded to AGSA and management.	Yes
	Report on the review of the IAA be forwarded to the AC	Yes
	Building committee be established to report on progress of the project	Yes
	Management to review ICT risks and resuscitate ICT steering committee	Yes
27 August 2018	Comments on the review of the Draft Annual Financial Statements be incorporated before submission to the AGSA	Yes
	Comments on the review of the Draft Annual Report be incorporated before submission to the AGSA	Yes
	Risk Management documents be submitted to AC for review	Yes
	Disaster recovery plan be submitted to AC for review	Yes
22 October 2018	Asset management champions be appointed	Yes
	IA to review the new building process	Yes
	A detailed progress report on the building project be submitted to AC	Yes
	A detailed report on vacancies on senior management posts, training and performance agreements be submitted to AC	Yes
21 January 2019	Draft contract register be submitted to IA for review	Yes
	ICT report be submitted to AC	Yes
	A meeting be arranged between the Mayor, Speaker and AC to discuss the impact of vacancies on senior management positions	No
	Management to rework on the action plan and communicate with IA	No
25 March 2019	Management to review budget related policies for submission with the draft budget	Yes
	Management to finalise the Draft IDP and SDBIP for submission to Council	Yes

29 April 2019	Progress on the Action plan to address findings raised by the AGSA be presented to AC	Yes
	Internal Audit to review the progress on the Action plan and report to AC	Yes
	Litigation register be presented in the next meeting	Yes
	A detailed paragraph on the number of creditors paid be included in the budget statement	Yes
	A detailed paragraph on the UIF/W be included in the budget statement	Yes
	Action plan on the spending of FMG grant be implemented	Yes
	IA to review the third quarter performance report	Yes
	A meeting be scheduled with the Acting MM and CFO to discuss budget related issues	Yes

Appendix H:

2018/2019 Annual Financial Statements



MORETELE LOCAL MUNICIPALITY
(Registration number M30062)
Annual Financial Statements
for the year ended 30 June 2019

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act No. 108 of 1998)

Nature of business and principal activities

The main business operations of the municipality is to engage in local governance activities in terms of section 152 of the Constitution, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Waste management services (the collection, disposal and purifying of waste, refuse and sewerage), water services (supplying water to the public), and rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to private entities).

Mayoral committee

Mayor

Speaker

Single Whip

MPAC Chair

Exco Members

Monaheng MA

Sekhaolela TL

Molefe KJ

Mr M J Kau

Mr JM Makwela

Ms BM Mangema

Ms NK Mleta

Mr LA Motsepe

Mr BD Sephelle

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

General Information

Councillors

Baloyi BW
Chauke MM
Gwebu PM
Hlongwane TE
Kutume RME
Kutumela SA
Lekalakala RC
Letebele LM
Letlhabi PS
Madumo MG
Magalefa SR
Mahlangu ET
Mahlangu PP
Makhathulela GM
Makhubela J
Makwela JM
Maluleka K
Mangema BM
Mathatho S
Mathe MA
Mavundla W
Mbekwa DBS
Mleta NK
Moatshe MC
Modiba GM
Modisa SJ
Moekeletsi SL
Mohomana JM
Mokadi LK
Mokgara SI
Molefe KJ
Molomo SP
Moraka KO
Moselane EL
Mosetlhe MJ
Mosipa ME
Motsepe LA
Motsepe MR
Mphande MC
Ngobeni TT
Nkwana S
Ntseke WM
Raletjena ZS
Ramadi MA
Sekhaolela TL
Sephelle BD
Shai CM
Sono D
Tseke NR

Grading of local authority

Grade 3

Demarcation code

NW 371

Accounting Officer (Acting)

Makwela BT

Chief Financial Officer (CFO)

Vilane S

Registered office

Municipal Office
4065B Mathibestad
0404

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

General Information

Business address

Municipal Office
4065B Mathibestad
0404

Postal address

Moretele Local Municipality
Private Bag X 367
Makapanstad
0404

Bankers

ABSA, First National Bank, VBS Bank, Standard Bank and Nedbank

Auditors

Auditor General of South Africa

Attorneys

Internal

Published

31 August 2019

Legislation governing the municipality's operations

Local Government: Municipal Finance Management Act (Act No. 56 of 2003)
Local Government: Municipal Systems Act (Act No. 32 of 2000)
Local Government: Municipal Structures Act (Act No. 117 of 1998)
Constitution of the Republic of South Africa (Act No. 108 of 1996)
Municipal Property Rates Act (Act No. 6 of 2004)
Division of Revenue Act (Act No. 1 of 2007)

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

	Page
Accounting Officer's Responsibilities and Approval	5
Audit Committee Report	6
Accounting Officer's Report	7
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts	12 - 15
Appropriation Statement	16 - 18
Accounting Policies	19 - 42
Notes to the Annual Financial Statements	42 - 97

DBSA	Development Bank Southern Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ME's	Municipal Entities
SALGA	South African Local Government Association
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

The Accounting Officer is responsible for the preparation of the annual financial statements in terms of section 126(1) of the Municipal Finance Management Act (Act 56 of 2003). The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003) to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any Interpretations, Guidelines and Directives issued by the Accounting Standards Board (ASB).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I, as the Accounting Officer, acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, I am satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the treasury for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the treasury has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

I would like to bring the following matters to your attention:

I certify that the salaries, allowances and benefits of councillors, as disclosed in note 29 - Councillors remuneration to these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with the Act.



Thabo Makwela
Accounting Officer (Acting)

Saturday, 31 August 2019

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2019.

Audit committee responsibility

The Chairperson of the Audit Committee must report on a quarterly basis, or more frequently if required, to the Municipal Council on the operations of the Internal Audit Unit and the Audit Committee.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

Evaluation of annual financial statements

We have reviewed and discussed the unaudited annual financial statements and draft annual report for 2018/19 year.

Internal audit

The Audit Committee is satisfied that the Internal Audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Adv. JL Thubakgale
Chairperson of the Audit Committee

Date: _____

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipality Demarcation Act, 1998 and operates in South Africa.

The operation results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared and in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) including any interpretation of such statements issued by the Accounting Standards Board, and in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003) and in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Changes
Isaac Shimane Maroga	01 July 2018 - 21 December 2019
Thabo Joseph Matshabe	01 January 2019 - 08 August 2019
Thabo Makwela	09 August 2019

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2019 and were signed on its behalf by:

Thabo Makwela
Accounting Officer (Acting)

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	3	269 377	1 427 269
Operating lease asset	4	1 769	13 623
Receivables from exchange transactions	5&7	1 148 318	1 676 744
Receivables from non-exchange transactions	6&7	14 097 956	15 474 163
Cash and cash equivalents	8	41 328 174	17 558 871
		56 845 594	36 150 670
Non-Current Assets			
Investment property	9	5 717 000	5 717 000
Property, plant and equipment	10	1 132 115 007	1 094 664 867
Intangible assets	11	22 580 780	11 462 123
		1 160 412 787	1 111 843 990
Total Assets		1 217 258 381	1 147 994 660
Liabilities			
Current Liabilities			
Finance lease obligation	12	25 273 670	44 087 554
Payables from exchange transactions	13	205 119 584	147 041 501
VAT payable	14	2 888 482	7 980 791
Unspent conditional grants and receipts	16	2 433 662	18 438 044
Employee benefit obligation	15	126 000	109 000
Bank overdraft	8	35 365	3 672 041
		235 876 763	221 328 931
Non-Current Liabilities			
Finance lease obligation	12	15 028 999	-
Employee benefit obligation	15	5 693 000	4 748 000
Provision on Landfill site	17	16 805 831	15 695 038
		37 527 830	20 443 038
Total Liabilities		273 404 593	241 771 969
Net Assets		943 853 788	906 222 691
Accumulated surplus		943 853 791	906 222 690

* See Note 43

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	50 012 788	47 836 578
Rendering of services		16 375	12 036
Rental of facilities and equipment	20	228 714	162 875
Sale of goods	21	1 035 424	606 093
Operational revenue	22	1 821 563	179 707
Interest received	23	7 457 939	17 842 917
Total revenue from exchange transactions		60 572 803	66 640 206
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	46 901 609	45 248 696
Transfer revenue			
Government grants and subsidies	25	452 896 949	494 697 615
Public contributions and donations	26	17 998 276	-
Fines, penalties and forfeits	27	692 036	813 803
Total revenue from non-exchange transactions		518 488 870	540 760 114
Total revenue	18	579 061 673	607 400 320
Expenditure			
Employee related costs	28	(111 435 810)	(109 296 270)
Remuneration of councillors	29	(19 337 442)	(18 810 430)
Depreciation and amortisation	30	(66 280 531)	(37 614 729)
Impairment	31	(79 205 008)	(113 481 635)
Finance costs	32	(2 772 612)	(22 403 519)
Bulk purchases	33	(47 735 752)	(21 194 627)
Contracted services	34	(159 533 942)	(142 924 609)
Loss on disposal of assets and liabilities		(10 042 783)	(2 361 238)
Actuarial losses		(103 000)	(1 020 000)
Inventory consumed		(1 989 326)	(771 502)
General expenses	35	(42 994 368)	(70 652 552)
Total expenditure		(541 430 574)	(540 531 111)
Surplus for the year		37 631 099	66 869 209

* See Note 43

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2017	839 353 481	839 353 481
Changes in net assets		
Surplus for the year	66 869 209	66 869 209
Total changes	66 869 209	66 869 209
Restated* Balance at 01 July 2018	906 222 692	906 222 692
Changes in net assets		
Surplus for the year	37 631 099	37 631 099
Total changes	37 631 099	37 631 099
Balance at 30 June 2019	943 853 791	943 853 791

* See Note 43

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		40 097 755	82 449 574
Grants		470 895 225	459 026 370
Interest income		7 457 939	17 669 104
Other receipts		2 742 314	1 156 385
		521 193 233	560 301 433
Payments			
Employee costs		(125 569 556)	(127 632 700)
Suppliers		(247 029 902)	(144 920 646)
Finance costs		(2 277 612)	(17 708 976)
		(374 877 070)	(290 262 322)
Net cash flows from operating activities	37	146 316 163	270 039 111
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(121 742 791)	(139 567 115)
Proceeds from sale of property, plant and equipment	10	6 617 493	(3 826 950)
Purchase of other intangible assets	11	-	(745 614)
Movement in investments		-	(51 057 065)
Net cash flows from investing activities		(115 125 298)	(195 196 744)
Cash flows from financing activities			
Repayment of other financial liabilities		-	(72 800 000)
Finance lease repayment		(3 784 885)	(52 452 937)
Net cash flows from financing activities		(3 784 885)	(125 252 937)
Net increase/(decrease) in cash and cash equivalents		27 405 980	(50 410 570)
Cash and cash equivalents at the beginning of the year		13 886 830	64 297 400
Cash and cash equivalents at the end of the year	8	41 292 810	13 886 830

* See Note 43

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of financial performance						
Revenue						
Revenue from exchange transactions						
Service charges	40 946 000	-	40 946 000	50 012 788	9 066 788	52
Rendering of services	-	-	-	16 375	16 375	
Rental of facilities and equipment	118 000	-	118 000	228 714	110 714	
Other income	-	-	-	1 035 424	1 035 424	
Other income	12 497 000	-	12 497 000	1 821 563	(10 675 437)	
Interest received - investment	13 578 000	-	13 578 000	7 457 939	(6 120 061)	52
Total revenue from exchange transactions	67 139 000	-	67 139 000	60 572 803	(6 566 197)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	49 380 000	-	49 380 000	46 901 609	(2 478 391)	52
Transfer revenue						
Government grants and subsidies	483 881 000	-	483 881 000	452 896 949	(30 984 051)	52
Public contributions and donations	-	-	-	17 998 276	17 998 276	
Fines, penalties and forfeits	-	-	-	692 036	692 036	
Total revenue from non-exchange transactions	533 261 000	-	533 261 000	518 488 870	(14 772 130)	
Total revenue	600 400 000	-	600 400 000	579 061 673	(21 338 327)	
Expenditure						
Employee costs	(134 592 000)	31 116 000	(103 476 000)	(111 435 810)	(7 959 810)	52
Remuneration of councillors	(19 708 000)	-	(19 708 000)	(19 313 496)	394 504	52
Depreciation and amortisation	(41 902 000)	-	(41 902 000)	(66 280 531)	(24 378 531)	52
Impairment loss/ Reversal of impairments	-	-	-	(19 432 656)	(19 432 656)	52
Finance costs	(200 000)	-	(200 000)	(2 772 612)	(2 572 612)	52
Debt impairment	(46 439 000)	-	(46 439 000)	(59 772 352)	(13 333 352)	52
Bulk purchases	(25 732 000)	(10 000 000)	(35 732 000)	(47 735 752)	(12 003 752)	
Other materials	(20 636 000)	1 729 000	(18 907 000)	-	18 907 000	52
Contracted services	(49 497 000)	(1 653 000)	(51 150 000)	(159 533 942)	(108 383 942)	52
Sale of goods/Inventory	-	-	-	(1 989 326)	(1 989 326)	
General expenses	(122 786 000)	13 734 000	(109 052 000)	(41 883 575)	67 168 425	52
Total expenditure	(461 492 000)	34 926 000	(426 566 000)	(530 150 052)	(103 584 052)	
Operating surplus	138 908 000	34 926 000	173 834 000	48 911 621	(124 922 379)	
Loss on disposal of assets and liabilities	-	-	-	(10 042 783)	(10 042 783)	
Actuarial gains/losses	-	-	-	(103 000)	(103 000)	
	-	-	-	(10 145 783)	(10 145 783)	
Surplus before taxation	138 908 000	34 926 000	173 834 000	38 765 838	(135 068 162)	

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual amount on comparable basis as presented in the budget and actual comparative statement	138 908 000	34 926 000	173 834 000	38 765 838	(135 068 162)	

Reconciliation

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	--------------------	-------------	--------------	--	---	-----------

Figures in Rand

Statement of financial position

Assets

Current Assets

Inventories	-	-	-	269 377	269 377	
Operating lease asset	-	-	-	1 769	1 769	
Receivables from exchange transactions	80 426 000	(3 572 000)	76 854 000	1 148 318	(75 705 682)	
Receivables from non-exchange transactions	-	-	-	14 097 956	14 097 956	
Cash and cash equivalents	5 251 000	57 491 000	62 742 000	41 328 174	(21 413 826)	
	85 677 000	53 919 000	139 596 000	56 845 594	(82 750 406)	

Non-Current Assets

Investment property	-	-	-	5 717 000	5 717 000	
Property, plant and equipment	892 030 000	157 729 000	1 049 759 000	1 132 115 007	82 356 007	
Intangible assets	-	-	-	22 580 780	22 580 780	
	892 030 000	157 729 000	1 049 759 000	1 160 412 787	110 653 787	

Total Assets	977 707 000	211 648 000	1 189 355 000	1 217 258 381	27 903 381	
---------------------	--------------------	--------------------	----------------------	----------------------	-------------------	--

Liabilities

Current Liabilities

Finance lease obligation	-	-	-	25 273 670	25 273 670	
Payables from exchange transactions	40 997 000	-	40 997 000	205 119 584	164 122 584	
VAT payable	-	-	-	2 888 482	2 888 482	
Unspent conditional grants and receipts	-	-	-	2 433 662	2 433 662	
Employee benefit obligation	-	-	-	126 000	126 000	
Bank overdraft	-	-	-	35 365	35 365	
	40 997 000	-	40 997 000	235 876 763	194 879 763	

Non-Current Liabilities

Other financial liabilities	-	-	-	15 028 999	15 028 999	
Employee benefit obligation	-	-	-	5 693 000	5 693 000	
Provisions	2 984 000	-	2 984 000	-	(2 984 000)	
Other liability 2	-	-	-	16 805 831	16 805 831	
	2 984 000	-	2 984 000	37 527 830	34 543 830	

Total Liabilities	43 981 000	-	43 981 000	273 404 593	229 423 593	
--------------------------	-------------------	----------	-------------------	--------------------	--------------------	--

Net Assets	933 726 000	211 648 000	1 145 374 000	943 853 788	(201 520 212)	
-------------------	--------------------	--------------------	----------------------	--------------------	----------------------	--

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	933 726 000	211 648 000	1 145 374 000	1 162 358 419	16 984 419	
---------------------	-------------	-------------	---------------	---------------	------------	--

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash flow statement						
Cash flows from operating activities						
Receipts						
Property rates	49 380 000	-	49 380 000	43 498 087	(5 881 913)	
Service charges	16 782 000	-	16 782 000	(3 399 610)	(20 181 610)	
Grants	483 881 000	-	483 881 000	454 890 843	(28 990 157)	
Interest income	13 578 000	-	13 578 000	7 457 939	(6 120 061)	
Other receipts	708 000	-	708 000	2 742 313	2 034 313	
	564 329 000	-	564 329 000	505 189 572	(59 139 428)	
Payments						
Suppliers and employees	(372 951 000)	34 926 000	(338 025 000)	(329 270 100)	8 754 900	
Transfers and grants	(6 189 000)	2 000 000	(4 189 000)	-	4 189 000	
Finance costs	(200 000)	-	(200 000)	(2 772 612)	(2 572 612)	
	(379 340 000)	36 926 000	(342 414 000)	(332 042 712)	10 371 288	
Net cash flows from operating activities	184 989 000	36 926 000	221 915 000	173 146 860	(48 768 140)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(197 384 000)	23 583 000	(173 801 000)	(121 742 791)	52 058 209	
Proceeds from sale of property, plant and equipment	-	-	-	4 910 569	4 910 569	
Purchase of other intangible assets	-	-	-	(25 123 772)	(25 123 772)	
Net cash flows from investing activities	(197 384 000)	23 583 000	(173 801 000)	(141 955 994)	31 845 006	
Cash flows from financing activities						
Finance lease payments	-	-	-	(3 784 885)	(3 784 885)	
Net increase/(decrease) in cash and cash equivalents	(12 395 000)	60 509 000	48 114 000	27 405 981	(20 708 019)	
Cash and cash equivalents at the beginning of the year	-	-	-	13 886 830	13 886 830	
Cash and cash equivalents at the end of the year	(12 395 000)	60 509 000	48 114 000	41 292 811	(6 821 189)	
Reconciliation						

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial performance											
Property rates	49 380 000	-	49 380 000	-	-	49 380 000	46 901 609		(2 478 391)	95 %	95 %
Service charges	40 946 000	-	40 946 000	-	-	40 946 000	50 012 788		9 066 788	122 %	122 %
Investment revenue	13 578 000	-	13 578 000	-	-	13 578 000	7 457 939		(6 120 061)	55 %	55 %
Transfers recognised - operational	311 497 000	-	311 497 000	-	-	311 497 000	310 802 892		(694 108)	100 %	100 %
Other own revenue	12 497 000	-	12 497 000	-	-	12 497 000	3 794 112		(8 702 888)	30 %	30 %
Total revenue (excluding capital transfers and contributions)	427 898 000	-	427 898 000	-	-	427 898 000	418 969 340		(8 928 660)	98 %	98 %
Employee costs	(134 592 000)	31 116 000	(103 476 000)	-	-	(103 476 000)	(111 435 810)	-	(7 959 810)	108 %	83 %
Remuneration of councillors	(19 708 000)	-	(19 708 000)	-	-	(19 708 000)	(19 313 496)	-	394 504	98 %	98 %
Debt impairment	-	-	-	-	-	-	(4 779 729)	-	(4 779 729)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(41 902 000)	-	(41 902 000)	-	-	(41 902 000)	(140 705 810)	-	(98 803 810)	336 %	336 %
Finance charges	(200 000)	-	(200 000)	-	-	(200 000)	(2 772 612)	-	(2 572 612)	1 386 %	1 386 %
Materials and bulk purchases	(46 369 000)	(8 271 000)	(54 640 000)	-	-	(54 640 000)	(47 735 752)	-	6 904 248	87 %	103 %
Transfers and grants	(14 732 000)	2 000 000	(12 732 000)	-	-	(12 732 000)	-	-	12 732 000	- %	- %
Other expenditure	(218 722 000)	12 080 000	(206 642 000)	-	-	(206 642 000)	(214 687 365)	-	(8 045 365)	104 %	98 %
Total expenditure	(476 225 000)	36 925 000	(439 300 000)	-	-	(439 300 000)	(541 430 574)	-	(102 130 574)	123 %	114 %
Surplus/(Deficit)	(48 327 000)	36 925 000	(11 402 000)	-	-	(11 402 000)	(122 461 234)		(111 059 234)	1 074 %	253 %

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments (i.t.o. council approved policy)	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	172 384 000	(172 384 000)	-	-	-	-	142 094 057	-	142 094 057	DIV/0 %	82 %
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	17 998 276	-	17 998 276	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	124 057 000	(135 459 000)	(11 402 000)	-	-	(11 402 000)	37 631 099	-	49 033 099	(330)%	30 %
Surplus/(Deficit) for the year	124 057 000	(135 459 000)	(11 402 000)	-	-	(11 402 000)	37 631 099	-	49 033 099	(330)%	30 %
Capital expenditure and funds sources											
Total capital expenditure	197 384 000	(23 583 000)	173 801 000	-	-	173 801 000	147 949 445	-	(25 851 555)	85 %	75 %
Sources of capital funds											
Transfers recognised - capital	166 884 000	90 000	166 974 000	-	-	166 974 000	-	-	(166 974 000)	- %	- %
Internally generated funds	30 500 000	(23 673 000)	6 827 000	-	-	6 827 000	-	-	(6 827 000)	- %	- %
Total sources of capital funds	197 384 000	(23 583 000)	173 801 000	-	-	173 801 000	-	-	(173 801 000)	- %	- %

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	184 988 000	36 926 000	221 914 000	-	-	221 914 000	146 316 163		(75 597 837)	66 %	79 %
Net cash from (used) investing	(197 384 000)	23 583 000	(173 801 000)	-	-	(173 801 000)	(115 125 298)		58 675 702	66 %	58 %
Net cash from (used) financing	-	-	-	-	-	-	(3 784 885)		(3 784 885)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	(12 396 000)	60 509 000	48 113 000	-	-	48 113 000	27 405 980		(20 707 020)	57 %	(221)%
Cash and cash equivalents at the beginning of the year	17 646 000	(3 018 000)	14 628 000	-	-	14 628 000	13 886 830		(741 170)	95 %	79 %
Cash and cash equivalents at year end	5 250 000	57 491 000	62 741 000	-	-	62 741 000	41 292 810		21 448 190	66 %	787 %

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rands. All figures are rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. The detail on assumption of going concern is assessed refer to note 42.

1.2 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Fraud indicators associated with VBS loss was identified through various investigations by the reserve bank, the state investigation unit and different provincial treasury departments. Added to that there number of assurance proving professional bodies which were also implicated in the looses as such proof indemnity does not cover fraud and dishonestly. The national treasury also advised that they will not be in position to bail out affect municipalities.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is first for individually significant loans and receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

The calculation allowance, in regard to impairment of debtor is based on an assessment to extent to which debtors have defaulted on payment already due and an assessment to make payments based on their payment history. This is performed per servie identifiable categories accross all classes of receivables

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value of inventory at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided.

Management has made estimates of the selling price and direct cost to sell on certain inventory items.

The write down is included in surplus or deficit.

Impairment testing

The recoverable amounts of potentially impaired cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the condition of the asset may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Value in use of cash-generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as [list economic factors, such as exchange rates inflation interest].

Value in use of non-cash-generating assets

The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Internally generated intangible assets and intangible assets with an indefinite useful life are tested for impairment on an annual basis.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement and long-term obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement and long-term obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-retirement and long-term obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality uses the prime interest rate to discount future cash flows.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or for
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Investment property (continued)

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

All items of PPE acquired that comply with the fixed asset definition and exceed the capitalisation threshold of R300, must be capitalised in the FAR at cost and be provided for on the capital budget. Items below the capitalisation threshold can be expensed. This is based on the materiality principle as items below the capitalisation threshold are deemed too immaterial to capitalize. Capitalised items will be bar- coded (when moveable).

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average/range of useful life
Buildings	Straight-line	5-50 years
Community assets	Straight-line	3-25 years
Electricity	Straight-line	20-45 years
Furniture and office equipment	Straight-line	4-10 years
IT equipment	Straight-line	3-8 years
Land	Straight-line	Indefinite
Leased assets	Straight-line	3 years
Motor vehicles	Straight-line	5-15 years
Road and pavement	Straight-line	3-100 years
Sewerage	Straight-line	5-100 years
Tools and loose gear	Straight-line	5-15 years
Water	Straight-line	5-100 years

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the annual financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development in the notes to the annual financial statements, which include: the cumulative expenditure recognised in the carrying value of an item of property, plant and equipment; the carrying value of an item of property, plant and equipment that is taking a significantly longer period of time to complete than expected; and the carrying value of an item of property, plant and equipment where construction or development has been halted (see note 10).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The municipality has classified computer software as intangible assets.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible asset are initially measured at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided on a straight line basis over the expected useful lives of the intangible assets.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Should the estimate change the municipality revises the expected useful life accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Amortisation is provided to write down the intangible assets, on a straight-line basis to their residual values, if any. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of intangible assets have been assessed as follows:

Item	Depreciation method	Average/range of useful life
Computer software	Straight-line	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

1.7 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount is the higher of a cash-generating asset's or cash-generating unit's fair value less costs to sell and its value in use.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of non-cash-generating assets.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use, the municipality:

- bases cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- bases cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimates cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments, where applicable.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.8 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.8 Impairment of non-cash-generating assets (continued)

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.8 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Bank overdraft	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Discounting of short-term receivables and payables

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts is recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value or current replacement cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality except for water.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.11 Inventories (continued)

Water is regarded as inventory when the municipality purchases bulk water with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs of water obtained from natural resources (rain, rivers, springs, boreholes etc). However, water in dams that are filled by natural resources and that has not yet been treated, and is under control of the municipality cannot be measured reliably as there is no cost attached to the water and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, in so far as it is stored and controlled in reservoirs at year-end.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-added Tax Act (Act No. 89 of 1991).

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to determine the present value of the obligation.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.14 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.15 Accumulated surplus/(deficit)

The accumulated surplus/(deficit) represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/(deficit). Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

1.16 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Revenue received from conditional grants, donations and other funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement, where applicable. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Transfers

Transfers and subsidies – non-exchange revenue

Unconditional Grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional Grants

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue. The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.18 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the event giving rise to the transfer has occurred.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 47 - Unauthorised expenditure.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.22 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on fruitless and wasteful expenditure, refer to note 48 .

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality's supply chain management policy.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the irregular expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on irregular expenditure, refer to note 49 - Irregular expenditure.

1.24 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are made in respect of unrecognised contractual commitments, which include future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as applicable, operational commitments, as well as future commitments relating to operating leases. Refer to note 39 - Commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.25 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.26 Related parties (continued)

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that municipality's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances. Refer to note 41 - Related parties.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 42 - Comparative figures.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12) and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12) and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued and to clarify acceptable methods of depreciating assets. To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology. To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements

GRAP 21 (as amended 2016): Impairment of Non-cash-generating Assets

Amendments to the Standard of GRAP on Impairment of Non-cash-generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements

GRAP 26 (as amended 2016): Impairment of Cash-generating Assets

Amendments Changes to the Standard of GRAP on Impairment of Cash-generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12) and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued and to clarify acceptable methods of depreciating assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12). To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that:

- (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making;
- (b) using fair value in certain instances was inappropriate; and
- (c) some of the existing accounting requirements were seen as too rules based.

As a result, the IASB amended its existing Standards to deal with these issues. The IASB issued the IFRS Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to the IFRS Standard on Financial Instruments: Presentation (IAS 32) and the IFRS Standard on Financial Instruments: Disclosures (IFRS 7). The IPSASB issued revised IPSASs in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- financial guarantee contracts issued;
- loan commitments issued;
- classification of financial assets;
- amortised cost of financial assets;
- impairment of financial assets; and
- disclosures.

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Guideline on Accounting for Landfill Sites

The Constitution of the Republic of South Africa, gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology and References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the guideline will have a material impact on the municipality's annual financial statements.

Guideline on the Application of Materiality to Financial Statements

The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP and References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the guideline will have a material impact on the municipality's annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity should apply judgement based on past experience and current facts and circumstances in the identification of significant accounting policies.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2020/2021 annual financial statements.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of the amendment is not material.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued and to clarify acceptable methods of depreciating assets. To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the standard is for years beginning on or after 01 April 2020.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

An entity should apply judgement based on past experience and current facts and circumstances in determining the amount of revenue to be recognised.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this Guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act (Act No. 107 of 1997) provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

The municipality expects to adopt the guideline for the first time in the 2019/2020 annual financial statements.

It is unlikely that the guideline will have a material impact on the municipality's annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 20: Related Parties

The objective of this Standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The Standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The Standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which:

- (a) the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time; and
- (b) the operator is compensated for its services over the period of the service concession arrangement.

It furthermore covers: Definitions, Recognition and measurement of a service concession asset, Recognition and measurement of liabilities, other liabilities, contingent liabilities, contingent assets and other revenues, Presentation and disclosure, Transitional provisions, and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 106 (as amended 2016): Transfers of Functions Between Entities not Under Common Control

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The subsequent amendments to the Standard resulted from changes made to IFRS 3 on Business Combinations as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2019/2020 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for statutory receivables.

Statutory receivables are receivables that:

- (a) arise from legislation, supporting regulations, or similar means; and
- (b) require settlement by another entity in cash or another financial asset.

It furthermore covers: Definitions, Recognition, Derecognition, Measurement, Presentation and disclosure, Transitional provisions, and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers: Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation and disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 11: Consolidation – Special Purpose Entities

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (i.e. they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This Interpretation does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to a SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation may mean that the entity should consolidate the SPE. This Interpretation does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 12: Jointly Controlled Entities – Non-monetary Contributions by Ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This Interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property, Property, Plant and Equipment, or Heritage Assets. As this Interpretation does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 19: Liabilities to Pay Levies

This Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation addresses the following issues:

- what is the obligating event that gives rise to the recognition of a liability to pay a levy?
- does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- what is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- an entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- the preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- the liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation; and
- an entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 20: Accounting for Adjustments to Revenue

As per the background to this Interpretation, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The Interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

The impact of this directive is currently being assessed.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

3. Inventories

Consumable stores	269 377	1 427 269
Carrying value of inventories carried at cost	269 377	1 427 269
Inventories recognised as an expense during the year	47 977 328	24 507 397

Inventory pledged as security

No inventory was pledged as security. The inventory count was conducted on the 28 June 2019.

4. Operating lease asset

Current assets	1 769	13 623
Minimum lease payments due		
within one year	46 553	40 161
in second to fifth year	46 168	-
	92 721	40 161

5. Receivables from exchange transactions

Consumer debtors - Water	524 648	551 401
Consumer debtors - Refuse	276 622	276 609
Consumer debtors - Interest	347 048	848 734
	1 148 318	1 676 744

Trade and other receivables pledged as security

No trade receivables were pledged as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

Trade and other receivables impaired

As of 30 June 2019, trade and other receivables of 314 302 253 (2018: 300 496 413) were impaired and provided for.

The amount of the provision was (313 153 935) as of 30 June 2019 (2018: 298 819 669).

There is no debt that is passed due, but not impaired.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	298 819 669	269 861 722
Provision for impairment	14 333 988	28 957 947
	313 153 657	298 819 669

The municipality does not hold any collateral as security.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
6. Receivables from non-exchange transactions		
Government grants and subsidies	-	967 123
Other receivables	10 732	-
Consumer debtors - Rates	14 087 224	14 507 040
	14 097 956	15 474 163

Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

Receivables from non-exchange transactions impaired

As of 30 June 2019, receivables from non-exchange transactions of 51 976 045 (2018: 47 616 132) were impaired and provided for.

The amount of the provision was (37 888 821) as of 30 June 2019 (2018: (33 109 092)).

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	33 109 092	25 659 399
Provision for impairment	4 779 729	7 449 693
	37 888 821	33 109 092

The municipality does not hold any collateral as security.

The average credit period receivables are 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus two percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control to ensure the recovery of receivables.

The management of the municipality is of the opinion that the carrying value of receivables approximate their value.

The provision for impairment of receivables exists predominantly to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the statement of financial position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The provision for impairment is calculated after receivable accounts with overall credit balances at reporting date is taken out. The impairment loss of debtors is calculated by multiplying individual debtor's balances by a risk factor (determined based on payment history and other traits which impact on recoverability). Receipts in July (following the reporting date) are deducted from the debtors total debt at year end (limited to the value of the debt). This approach ensures that all debtors, regardless of value are considered individually. All debtors are categorised into one of four categories. These categories are very high risk, high risk, medium risk and low risk. Debtors are given a risk category based on their payment history and other relevant traits on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that collate with default of the portfolio.

7. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	51 976 045	47 616 132
Consumer debtors - Water	151 824 474	159 675 630
Consumer debtors - Refuse	103 553 709	82 860 093
Consumer debtors - Interest & Sundry debtor	58 924 070	57 960 690
	366 278 298	348 112 545

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
7. Consumer debtors disclosure (continued)		
Less: Allowance for impairment		
Consumer debtors - Rates	(37 888 821)	(33 109 092)
Consumer debtors - Water	(151 299 826)	(159 124 229)
Consumer debtors - Refuse	(103 277 087)	(82 583 484)
Consumer debtors - Interest & Sundry debtor	(58 577 022)	(57 111 956)
	(351 042 756)	(331 928 761)
Net balance		
Consumer debtors - Rates	14 087 224	14 507 040
Consumer debtors - Water	524 648	551 401
Consumer debtors - Refuse	276 622	276 609
Consumer debtors - Interest & Sundry debtor	347 048	848 734
	15 235 542	16 183 784

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
7. Consumer debtors disclosure (continued)		
Summary of debtors by customer classification		
Residences		
Current (0 -30 days)	-	9 960 812
31 - 60 days	4 838 571	4 960 320
61 - 90 days	4 691 429	4 905 297
91 - 120 days	4 665 017	4 913 431
121 - 365 days	36 257 236	38 682 789
> 365 days	269 309 832	245 857 677
	319 762 085	309 280 326
Less: Allowance for impairment	(317 459 679)	(308 850 539)
	2 302 406	429 787
Commercial		
Current (0 -30 days)	190 333	390 497
31 - 60 days	185 505	91 366
61 - 90 days	182 347	84 425
91 - 120 days	182 184	84 170
121 - 365 days	1 219 904	672 527
> 365 days	7 298 764	6 205 820
	9 259 037	7 528 805
Less: Allowance for impairment	(9 038 269)	(7 317 038)
	220 768	211 767
Government		
Current (0 -30 days)	14 825 538	1 893 375
31 - 60 days	484 369	826 710
61 - 90 days	465 818	829 329
91 - 120 days	388 343	814 220
121 - 365 days	2 727 264	6 082 702
> 365 days	6 594 962	15 697 664
	25 486 294	26 144 000
Less: Allowance for impairment	(11 122 498)	(10 602 753)
	14 363 796	15 541 247
Indigent		
Current (0 -30 days)	676 952	80 716
31 - 60 days	677 876	34 004
61 - 90 days	677 431	29 847
91 - 120 days	677 358	40 266
121 - 365 days	4 953 133	299 227
> 365 days	3 364 335	2 277 865
	11 027 085	2 761 925
Sundry income		
Current (0 -30 days)	-	2 397 489
121 - 365 days	2 249	-
> 365 days	899 561	-
	901 810	2 397 489

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	59 197	177
Bank balances	13 761 243	-
Short-term deposits	27 507 734	17 558 694
Bank overdraft	(35 365)	(3 672 041)
	41 292 809	13 886 830
Current assets	41 328 174	17 558 871
Current liabilities	(35 365)	(3 672 041)
	41 292 809	13 886 830

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
ABSA Bank - Account type - Cheque account	(35 365)	1 723 023	251 157	13 065 077	3 419 288	(1 192 976)
ABSA Bank - Account type - Call Account	11 036 577	10 441 874	4 104 194	27 507 734	14 825 863	6 989 390
Nedbank - Account type - Call Account	-	15 781	-	-	(3 672 041)	(2 398 898)
VBS - Account type - Call Account	51 057 065	51 057 065	60 868 118	-	-	60 868 118
Total	62 058 277	63 237 743	65 223 469	40 572 811	14 573 110	64 265 634

Reconciliation of VBS Mutual bank - provision for impairment

VBS - Account Type - Call accounts	51 057 065	51 057 065
Provision on impairment	(51 057 065)	(51 057 065)
	-	-

VBS bank has been placed under curatorship, therefore the recovery of the investment is unknown. The municipality has not received any communication from the curator therefore management has taken into consideration all the reports circulating relating to the matter and have made 100% provision on impairment for the investment.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

9. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5 717 000	-	5 717 000	5 717 000	-	5 717 000

Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	5 717 000	5 717 000

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	5 876 000	(159 000)	5 717 000

Pledged as security

No investment property was pledged as security.

There are no repairs and maintenance related to investment property incurred in the current year.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2019				2018	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	46 972 530	-	46 972 530	46 972 530	-	46 972 530
Buildings	236 024 989	(144 480 488)	91 544 501	223 334 137	(140 097 354)	83 236 783
Furniture and fixtures	7 639 097	(5 607 657)	2 031 440	7 393 865	(5 683 707)	1 710 158
Motor vehicles	17 762 274	(3 916 624)	13 845 650	17 762 274	(2 851 292)	14 910 982
Office equipment	4 008 331	(3 288 295)	720 036	1 481 655	(558 909)	922 746
IT equipment	1 556 880	(1 249 528)	307 352	1 556 880	(1 180 736)	376 144
Infrastructure	860 188 511	(280 056 626)	580 131 885	775 683 550	(254 216 894)	521 466 656
Work in progress	358 476 327	-	358 476 327	385 315 519	-	385 315 519
Leased Assets	60 894 660	(22 809 374)	38 085 286	62 562 723	(22 809 374)	39 753 349
Total	1 593 523 599	(461 408 592)	1 132 115 007	1 522 063 133	(427 398 266)	1 094 664 867

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Others	Depreciation	Impairment loss	Total
Land	46 972 530	-	-	-	-	-	-	46 972 530
Buildings	83 236 783	16 189 232	(1 206 249)	-	(476 412)	(5 907 916)	(290 937)	91 544 501
Furniture and fixtures	1 710 158	618 034	(3 821)	-	432 748	(725 679)	-	2 031 440
Motor vehicles	14 910 982	-	-	-	140 283	(1 205 615)	-	13 845 650
Office equipment	922 746	-	1 246	-	30 620	(234 576)	-	720 036
IT equipment	376 144	-	(7 685)	-	16 978	(78 085)	-	307 352
Infrastructure	521 466 656	96 387 550	(7 410 450)	-	1 991 159	(32 290 781)	(12 249)	580 131 885
Capital work in progress	385 315 519	105 487 899	-	(112 576 782)	-	-	(19 750 309)	358 476 327
Other leased assets	39 753 349	18 005 631	(8 033 317)	-	-	(11 640 377)	-	38 085 286
Total	1 094 664 867	236 688 346	(16 660 276)	(112 576 782)	2 135 376	(52 083 029)	(20 053 495)	1 132 115 007

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Others	Depreciation	Impairment loss	Total
Land	46 972 530	-	-	-	-	-	-	46 972 530
Buildings	87 305 055	2 712 478	(526 582)	-	103 166	(6 356 293)	(1 041)	83 236 783
Furniture and fixtures	2 182 146	231 280	50	-	-	(703 318)	-	1 710 158
Motor vehicles	9 024 689	7 317 627	(454 702)	-	-	(976 632)	-	14 910 982
Office equipment	906 229	385 219	(11 488)	-	-	(357 214)	-	922 746
IT equipment	923 696	35 888	(376 299)	-	-	(207 141)	-	376 144
Infrastructure	490 922 284	65 157 755	(936 382)	-	2 262	(32 543 994)	(1 135 269)	521 466 656
Capital work in progress	305 532 199	138 415 988	-	(58 632 668)	-	-	-	385 315 519
Other leased assets	51 176 797	-	-	-	-	(11 423 448)	-	39 753 349
	994 945 625	214 256 235	(2 305 403)	(58 632 668)	105 428	(52 568 040)	(1 136 310)	1 094 664 867

Pledged as security

No property, plant and equipment were pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

11. Intangible assets

	2019		2018			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	58 764 527	(36 183 747)	22 580 780	33 640 755	(22 178 632)	11 462 123

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	11 462 123	25 123 772	(14 005 115)	22 580 780

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	21 930 094	745 614	(11 213 585)	11 462 123

Pledged as security

No intangible assets were pledged as security.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

12. Finance lease obligation

12.1 Minimum lease payments due

- within one year	10 093 054	48 037 948
- in second to fifth year inclusive	7 461 958	-
	17 555 012	48 037 948
less: future finance charges	734 447	(2 471 807)
Present value of minimum lease payments	18 289 459	45 566 141

Present value of minimum lease payments due

- within one year	10 093 054	43 569 293
- in second to fifth year inclusive	7 461 658	-
	17 554 712	43 569 293

Finance lease liabilities relates to IT equipment with lease terms of 36 months. The effective interest rates on finance lease is 4.62%. The lease is renewable at the end of the lease period. Capitalised lease liabilities are secured over the items of IT Equipment leased.

12.2 Minimum lease payments due

- within one year	14 446 169	-
- in second to fifth year inclusive	7 567 041	-
Subtotal	22 013 210	-
	22 013 210	-

Present value of minimum lease payments due

- within one year	14 446 169	-
- in second to fifth year inclusive	7 567 041	-
	22 013 210	-

The finance lease relates to Microsoft Licences with lease terms of 24 months. There is no interest Cost. The lease is renewable at the end of the lease period. Capitalised lease liabilities are secured over the items of intangible assets.

Defaults and breaches

No defaults or breaches on finance lease payments during the year.

13. Payables from exchange transactions

Trade payables	145 655 914	98 235 885
Payments received in advanced	7 921 152	2 257 108
Retention	38 237 199	35 868 426
Accrued leave pay	11 231 644	8 828 549
Accrued bonus	2 073 675	1 851 533
	205 119 584	147 041 501

14. VAT payable

Tax refunds payables	2 888 482	7 980 791
----------------------	-----------	-----------

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

15. Employee benefit obligations

Long service awards

Under the plan, a long service award is payable to employees under 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover.

The actuarial valuations of plan asset and present value of the defined benefit obligation were carried out by ZAQ Consultants and Actuaries, Neil Fourie, fellow of the Actuarial Society of South Africa. The project unit credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(5 693 000)	(4 748 000)
Non-current liabilities	(5 693 000)	(4 748 000)
Current liabilities	(126 000)	(109 000)
	(5 819 000)	(4 857 000)

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable.

Changes in the present value of the long service award are as follows:

Opening balance	4 857 000	3 363 000
Benefits paid	(126 000)	(235 000)
Net expense recognised in the statement of financial performance	1 088 000	1 729 000
	5 819 000	4 857 000

Net expense recognised in the statement of financial performance

Current service cost	490 000	365 000
Interest cost	495 000	344 000
Actuarial (gains) losses	103 000	1 020 000
	1 088 000	1 729 000

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate	Yield curve	Yield curve
Net effective discount rate	Yield curve based	Yield curve based
CPI	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Normal salary increase rate	CPI +%	CPI +%
Average retirement age	63	63

20% increase/decrease in assumed level of withdrawal rates

	-20% withdrawal	20% withdrawal
Total accrued liability	6 144 000	5 523 000
Current service cost	528 000	514 000
Interest cost	632 000	567 000
	7 304 000	6 604 000

1% increase/decrease in assumed level of salary inflation

	-1% Normal salary inflation	1% Normal salary inflation
Total accrued liability	5 443 000	6 234 000
Current service cost	508 000	592 000
Interest cost	558 000	641 000
	6 509 000	7 467 000

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

District Bonjanala Grant	-	94 892
WSIG Grant	1 390 487	17 526 433
Municipal Infrastructure Grant	65 095	29 248
EPWP Grant	-	-
Finance Management Grant	-	-
North West Sport : Maubane Cultural Village	500 000	500 000
Library Grant	478 080	287 471
	2 433 662	18 438 044

Movement during the year

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 25 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

17. Provision on landfill site

Reconciliation of provisions - 2019

	Opening Balance	Unwinding of interest	Change in timing, amount and discounting factor	Total
Provision on landfill site	15 695 038	1 230 130	(119 337)	16 805 831

The landfill rehabilitation and closure is created for the rehabilitation and closure of the current operational site which is evaluated at each year-end to reflect the best estimate at reporting date. The site under consideration is the Motla landfill site. The valuation for the landfill site was performed by Seakle K.B. Godschalk from Environmental and sustainability solutions CC. Seakle K.B. Godschalk is a professional engineer and member of the Engineering Council of South Africa.

Key financial assumptions used in this calculation were as follows:

Assumption	Motla landfill site
CPI	4.4437%
Discount rate	7.9437%
Net affective discount rate	3.5%

The amount of the discounted landfill closure provision of R16,805,831 represents an increase of R1,110,793 over the provision of R15,695,038 in the previous financial year. Composition of this change relate to changes in the CPI, discount rate and unit costs.

The amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2019. The size of the landfill site used up until now and estimate remaining useful life is as follows:

Approximate footprint at 30 June 2019	5.0376 ha
Remaining useful life	Approximately 17 years
5.0376 ha	

18. Revenue

Rendering of services	16 375	12 036
Service charges	50 012 788	47 836 578
Rental of facilities and equipment	228 714	162 875
Sale of goods	1 035 424	606 093
Operational income	1 821 563	179 707
Interest received - investment	7 457 939	17 842 917
Property rates	46 901 609	45 248 696
Government grants and subsidies	452 896 949	494 697 615
Public contributions and donations	17 998 276	-
Fines, penalties and forfeits	692 036	813 803
	579 061 673	607 400 320

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
18. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	50 012 788	47 836 578
Rendering of services	16 375	12 036
Rental of facilities and equipment	228 714	162 875
Sales of goods	1 035 424	606 093
Operational income	1 821 563	179 707
Interest received - investment	7 457 939	17 842 917
	60 572 803	66 640 206
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	46 901 609	45 248 696
Transfer revenue		
Government grants and subsidies	452 896 949	494 697 615
Public contributions and donations	17 998 276	-
Fines, penalties and forfeits	692 036	813 803
	518 488 870	540 760 114
19. Service charges		
Sale of water	29 532 184	28 475 197
Refuse removal	20 480 604	19 361 381
	50 012 788	47 836 578
20. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	228 714	162 875
Included in the above rentals are operating lease rentals at straight-lined amounts of 2019: 9272 (2018: 40 161) .		
21. Other revenue		
Sale of goods	1 035 424	606 093
22. Operational revenue		
Membership fees gym	93 502	10 188
Insurance payout	1 500 000	-
SETA fund income	228 061	169 519
	1 821 563	179 707
23. Investment revenue		
Interest revenue		
Bank	5 226 585	8 904 761
Interest charged on trade and other receivables	2 231 354	8 938 156
	7 457 939	17 842 917

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
24. Property rates		
Rates received		
Rates on property	46 901 609	45 248 696
Valuations		
Residential	1 161 305 000	1 161 305 000
Commercial	46 111 000	46 111 000
State	603 450 500	603 450 500
Municipal	715 021 000	715 021 000
	2 525 887 500	2 525 887 500

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owners and are payable at the end of each month. Interest is levied at a rate determined by council on outstanding rate amounts.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
25. Government grants and subsidies		
Operating grants		
Equitable share	306 721 000	284 591 277
District Bonjalana Grant	94 892	906 456
Local Government Financial Management Grant	2 215 000	2 145 000
Expanded Publics Works Programme Grant	1 772 000	1 544 000
	310 802 892	289 186 733
Capital grants		
Water Services Infrastructure Grant	58 609 513	44 473 568
Municipal Infrastructure Grant	82 886 153	159 815 752
Library Grant	598 391	1 221 562
	142 094 057	205 510 882
	452 896 949	494 697 615
District Bonjalana Grant		
Balance unspent at beginning of year	94 892	(1 498 652)
Current-year receipts	-	2 500 000
Conditions met - transferred to revenue	(94 892)	(906 456)
	-	94 892
Conditions has been met.		
This grant is for the assistance with the implementation of MSCOA.		
Local Government Financial Management Grant		
Current-year receipts	2 215 000	2 145 000
Conditions met - transferred to revenue	(2 215 000)	(2 145 000)
	-	-
Conditions has been met.		
The pupose of this grant was to promote support reforms in financial management by building capacity in municipalities to implement the local government: Municipal finance management act (MFMA).		
Expanded Publics Works Programme Grant		
Current-year receipts	1 772 000	1 544 000
Conditions met - transferred to revenue	(1 772 000)	(1 544 000)
	-	-
Conditions has been met.		
The purpose of this grant was to encourage local authorities and provintial departments to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour intensive methods and the expansion of job creation in line with the expanded public works programme guidelines.		
Water Services Infrastructure Grant		
Balance unspent at beginning of year	17 526 433	10 081 070
Current-year receipts	60 000 000	62 000 000
Conditions met - transferred to revenue	(58 597 716)	(44 473 568)

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
25. Government grants and subsidies (continued)		
Roll over not approved	(17 526 433)	(10 081 069)
	1 402 284	17 526 433

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts).

The grant is intended to fund bulk, connector and internal infrastructure of water services at a basic level of services.

Municipal Infrastructure Grant

Balance unspent at beginning of year	29 248	18 477 207
Current-year receipts	82 922 000	159 845 000
Conditions met - transferred to revenue	(82 886 151)	(159 815 752)
Roll over not approved	-	(18 477 207)
	65 097	29 248

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts).

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

North West Sport: Maubane Cultural Village

Balance unspent at beginning of year	500 000	500 000
--------------------------------------	---------	---------

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts).

The condition of the grant is to foster cultural activities in the local community.

Library Grant

Balance unspent at beginning of year	287 471	809 033
Current-year receipts	789 000	700 000
Conditions met - transferred to revenue	(598 391)	(1 221 562)
	478 080	287 471

Conditions still to be met - remain liabilities (see note 16).

To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

26. Public contributions and donations

Public contributions and donations	17 998 276	-
------------------------------------	------------	---

27. Fines, penalties and forfeits

Municipal Traffic Fines	692 036	813 803
-------------------------	---------	---------

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
28. Employee related costs		
Basic	67 482 953	67 732 335
Bonus	5 229 657	4 781 956
Medical aid	5 736 243	5 229 406
UIF	404 712	404 392
SDL	1 317 107	903 664
Leave pay provision charge	2 711 340	2 417 007
Travel, motor car, accommodation, subsistence and other allowances	13 131 245	12 291 131
Overtime payments	471 300	2 641 917
Long-service awards	-	(235 000)
Housing benefits and allowances	678 245	315 539
Long service - service costs	364 000	365 000
Long service - interest costs	495 000	344 000
Cellular and telephone allowance	1 039 714	1 039 031
Pension contribution costs	12 350 348	11 065 892
	111 411 864	109 296 270
Remuneration of Accounting Officer		
Basic salary	887 719	752 483
Back pay	59 913	44 748
Acting allowance	-	75 815
Travel and cellphone allowance	315 956	270 690
Travel and subsistence	7 532	40 864
	1 271 120	1 184 600
Remuneration of Chief Financial Officer		
Basic salary	598 594	526 417
Back pay	30 229	32 172
Acting allowance	44 885	39 364
Housing allowance	25 069	18 083
Travel and cellphone allowance	186 400	184 435
Travel and subsistence	20 157	30 245
Gratuity	-	43 210
Leave payment	84 961	-
	990 295	873 926
Remuneration of director: Technical services		
Basic salary	511 806	487 996
Back pay	51 014	32 172
Acting allowance	-	43 217
Leave payment	133 935	-
Housing allowance	42 200	48 000
Travel and cellphone allowance	204 097	192 843
Other	-	14 404
	943 052	818 632
Remuneration of directors: Corporate and human resources		
Basic salary	630 506	550 715
Back pay	42 817	36 144
Acting allowance	76 812	-
Travel and cellphone allowance	229 214	201 196

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

28. Employee related costs (continued)

Travel and subsistence	44 868	54 495
	1 024 217	842 550

Remuneration of director: Community development

Basic salary	346 686	386 068
Acting allowance	203 642	465 911
Back pay	2 252	-
Bonus	34 424	32 172
Leave payment	79 314	73 944
Travel and cellphone allowance	91 584	101 329
Travel and subsistence	18 558	50 412
	776 460	1 109 836

Remuneration of director: Local economic development

Basic salary	346 686	717 849
Back pay	2 252	43 084
Travel and cellphone allowance	91 584	258 995
Travel and subsistence	19 904	47 063
Bonus	34 424	-
Leave payment	67 747	-
	562 597	1 066 991

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand				2019	2018
29. Remuneration of councillors					
Mayor				872 146	840 313
Speaker				706 602	681 131
Single Whip				668 630	641 336
MPAC Chairperson				662 831	632 437
Exco Members				3 212 572	3 206 680
Councillors				13 214 661	12 808 526
				19 337 442	18 810 423
2019 - Mayor					
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
MA Monaheng	530 075	206 937	44 400	90 734	872 146
2019 - Speaker					
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
TL Sekhaolela	424 065	165 550	44 400	72 587	706 602
2019 - Single whip					
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
KJ Molefe	397 561	158 619	44 400	68 050	668 630
2019 - MPAC chairperson					
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
MJ Kau	389 570	162 177	44 400	66 684	662 831
Exco members					
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
JM Makwela	397 561	8 587	44 400	68 050	518 598
BM Mangema	397 561	156 203	44 400	99 418	697 582
NK Mleta	397 561	155 953	44 400	68 050	665 964
LA Motsepe	397 561	155 203	44 400	68 050	665 214
BD Sephelle	397 561	155 203	44 400	68 050	665 214
				1 987 805	631 149
				222 000	371 618
				3 212 572	
2019 - Councillors					
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
GM Makhathulela	167 753	67 888	44 400	57 544	337 585
LK Mokadi	167 753	65 488	44 400	28 714	306 355
ME Mosipa	167 753	67 088	44 400	28 714	307 955
KO Moraka	167 753	65 488	44 400	28 714	306 355
MA Ramadi	167 753	67 888	44 400	28 714	308 755
BW Baloyi	167 753	65 488	41 716	28 714	303 671
S Mathatho	167 753	67 888	44 400	28 714	308 755
PS Letlhabi	167 753	65 488	44 400	28 714	306 355
J Makhubela	167 753	65 488	44 400	28 714	306 355
TT Ngobeni	167 753	67 888	44 400	28 714	308 755
LM Letebele	167 753	65 488	44 400	28 714	306 355
K Maluleka	167 753	65 488	44 400	28 714	306 355
NR Tseke	167 753	65 488	44 400	28 714	306 355
ZS Raletjena	167 753	65 488	44 400	28 714	306 355
MC Moatshe	167 753	65 488	44 400	28 714	306 355
D Sono	167 753	65 488	44 400	28 714	306 355
MJ Mosetlhe	167 753	65 488	44 400	28 714	306 355
PM Gwebu	167 753	65 488	44 400	28 714	306 355
JM Mohomana	167 753	65 488	44 400	28 714	306 355

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019				2018
29. Remuneration of councillors (continued)					
MG Molefe	167 753	65 488	44 400	28 714	306 355
MM Chauke	167 753	65 488	44 400	28 714	306 355
MG Madumo	167 753	65 488	44 400	28 714	306 355
S Nkwana	167 753	65 488	44 400	28 714	306 355
MA Mathe	167 753	65 488	44 400	28 714	306 355
MR Motsepe	167 753	65 488	44 400	28 714	306 355
SP Molomo	167 753	65 488	44 400	28 714	306 355
WM Ntseke	167 753	65 938	44 400	28 714	306 805
PP Mahlangu	167 753	65 488	44 400	28 714	306 355
SI Mokgara	167 753	65 488	44 400	28 714	306 355
RC Lekalakala	167 753	65 488	44 400	28 714	306 355
SJ Modisa	167 753	65 488	44 400	28 714	306 355
SR Magalefa	167 753	65 488	44 400	28 714	306 355
ET Mahlangu	167 753	65 488	44 400	28 714	306 355
CM Shai	167 753	65 488	44 400	28 714	306 355
RME Kutumela	167 753	66 388	44 400	28 714	307 255
EL Moselane	167 753	66 388	44 400	28 714	307 255
GM Modiba	167 753	65 938	44 400	28 714	306 805
W Mavundla	167 753	66 388	44 400	28 714	307 255
TE Hlongwane	167 753	65 488	44 400	28 714	306 355
MC Mphande	167 753	65 938	44 400	28 714	306 805
SA Kutumela	167 753	65 488	44 400	28 714	306 355
DBS Mbekwa	167 753	65 488	44 400	28 714	306 355
SL Moekeletsi	167 753	65 488	44 400	28 714	306 355
	7 213 379	2 831 234	1 906 516	1 263 532	13 214 661
2018 - Mayor	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
MA Monaheng	509 883	198 978	44 400	87 052	840 313
2018 - Speaker	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
TL Sekhaolela	407 905	159 183	44 400	69 643	681 131
2018 - Single whip	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
KJ Molefe	382 412	149 234	44 400	65 290	641 336
2018 - MPAC chairperson	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
MJ Kau	375 070	149 234	44 400	63 633	632 337
2018 - Exco members	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
JM Makwela	382 412	149 234	44 400	65 290	641 336
BM Mangena	382 412	149 234	44 400	65 290	641 336
NK Mleta	382 412	149 234	44 400	65 290	641 336
LA Motsepe	382 412	149 234	44 400	65 290	641 336
BD Sephelle	382 412	149 234	44 400	65 290	641 336
	1 912 060	746 170	222 000	326 450	3 206 680
2018 - Councillors	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
GM Makhathulela	161 509	64 296	44 400	27 401	297 606
LK Mokadi	161 509	64 296	44 400	27 401	297 606

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand				2019	2018
29. Remuneration of councillors (continued)					
ME Mosipa	161 509	64 296	44 400	27 401	297 606
KO Moraka	161 509	64 296	44 400	27 401	297 606
MA Ramadi	161 509	64 296	44 400	27 401	297 606
BW Baloyi	161 509	64 296	44 400	27 401	297 606
S Mathatho	161 509	64 296	44 400	27 401	297 606
PS Letlhabi	161 509	64 296	44 400	27 401	297 606
J Makhubela	161 509	64 296	44 400	27 401	297 606
EM Mabatle	7 817	2 222	1 429	-	11 468
TT Ngobeni	161 509	64 296	44 400	27 401	297 606
LM Letebele	161 509	64 296	44 400	27 401	297 606
K Maluleka	161 509	64 296	44 400	27 401	297 606
NR Tseke	161 509	64 296	44 400	27 401	297 606
ZS Raletjena	161 509	64 296	44 400	27 401	297 606
MC Moatshe	161 509	64 296	44 400	27 401	297 606
D Sono	161 509	64 296	44 400	27 401	297 606
MJ Mosetshe	161 509	64 296	44 400	27 401	297 606
PM Gwebu	161 509	64 296	44 400	27 401	297 606
JM Mohomana	161 509	64 296	44 400	27 401	297 606
MG Molefe	161 509	64 296	44 400	27 401	297 606
MM Chauke	161 509	64 296	44 400	27 401	297 606
MG Madumo	161 509	64 296	44 400	27 401	297 606
S Nkwana	161 509	64 296	44 400	27 401	297 606
MA Mathe	161 509	64 296	44 400	27 401	297 606
MR Motsepe	161 509	64 296	44 400	27 401	297 606
SP Molomo	161 509	64 296	44 400	27 401	297 606
WM Ntseke	161 509	64 296	44 400	27 401	297 606
PP Mahlangu	161 509	64 296	44 400	27 401	297 606
SI Mokgara	161 509	64 296	44 400	27 401	297 606
RC Lekalakala	161 509	64 296	44 400	27 401	297 606
SJ Modisa	161 509	64 296	44 400	27 401	297 606
SR Magalefa	161 509	64 296	44 400	27 401	297 606
ET Mahlangu	161 509	64 296	44 400	27 401	297 606
CM Shai	161 509	64 296	44 400	27 401	297 606
RME Kutume	161 509	64 296	44 400	27 401	297 606
EL Moselane	161 509	64 296	44 400	27 401	297 606
GM Modiba	161 509	64 296	44 400	27 401	297 606
W Mavundla	161 509	64 296	44 400	27 401	297 606
TE Hlongwane	161 509	64 296	44 400	27 401	297 606
MC Mphande	161 509	64 296	44 400	27 401	297 606
SA Kutumela	161 509	64 296	44 400	27 401	297 606
DBS Mbekwa	161 509	64 296	44 400	27 401	297 606
SL Moekeletsi	161 509	64 296	44 400	27 401	297 606
	7 114 213	2 831 246	1 955 029	1 205 644	13 106 132

30. Depreciation and amortisation

Property, plant and equipment	66 280 531	37 614 729
-------------------------------	------------	------------

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
31. Impairment of assets		
Impairments		
Property, plant and equipment	19 432 656	1 462 024
Investment	-	51 057 065
Impairment write off	40 658 357	-
Receivables from exchange revenue	14 334 266	53 872 491
Receivables from non-exchange revenue	4 779 729	7 090 055
	79 205 008	113 481 635
32. Finance costs		
Finance leases	2 772 612	4 520 730
Bank	-	17 882 789
	2 772 612	22 403 519
33. Bulk purchases		
Bulk purchases	47 735 752	21 194 627
Distribution losses		
Purchased during the year	5 628 920	2 571 195
Sold during the year	(730 388)	(1 123 999)
Unaccounted - Normal distribution losses - % water (2019- 50%) (2018 - 5%)	4 538 532	1 627 196
Kilo litres	2 610 355	132 435
Loss (R) : At cost	20 752 324	937 638
	-	-
Water losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters are illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported		
34. Contracted services		
Presented previously		
Specialist Services	246 350	412 860
Outsourced services		
Business and Advisory	450 507	562 300
Catering Services	249 654	481 286
Hygiene Services	60 788 927	33 577 309
Security Services	19 671 881	16 648 226
Consultants and professional services		
Business and Advisory	38 363 227	30 557 792
Infrastructure and Planning	33 547	-
Laboratory Services	12 994 405	21 782 915
Legal Cost	3 423 815	4 399 690
Contractors		
Catering Services	30 280	-
Event Promoters	1 867 662	2 672 360
Maintenance of Buildings and Facilities	1 614 715	829 068
Maintenance of Unspecified Assets	19 798 972	31 000 803
	159 533 942	142 924 609

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
35. General expenses		
Advertising	201 547	240 651
Auditors remuneration	3 125 067	3 363 154
Bank charges	330 013	152 504
Consumables	6 215	19 180
Entertainment	594 768	546 888
Insurance	2 752 052	1 525 214
IT expenses	1 923	20 150
Fuel and oil	3 375 282	3 304 666
Postage and courier	2 005	480
Royalties and license fees	7 135 673	853 265
Subscriptions and membership fees	2 967 162	1 533 858
Telephone and fax	2 501 091	4 373 966
Travel - local	1 057 934	2 991 735
Utilities	6 117 127	4 133 015
Other expenses	12 850 455	47 593 826
	43 018 314	70 652 552
36. Auditors' remuneration		
Fees	3 125 067	3 363 154
37. Cash generated from operations		
Surplus	37 631 098	78 968 086
Adjustments for:		
Depreciation, amortisation and rehabilitation provision	67 198 937	39 871 029
(Gain)/loss on sale of assets and liabilities	10 042 783	2 361 238
Fair value adjustments	-	159 000
Finance costs - Finance leases	(7 457 939)	4 520 730
Interest income	11 854	-
Impairment loss	79 205 008	70 949 851
Movements in operating lease assets and accruals	(2 772 612)	(10 118)
Movements in Employee benefit obligations	1 088 000	1 494 000
Current services costs	495 001	-
Movement in leave and bonus accruals	2 625 237	-
Other non-cash items	1 785 125	-
Changes in working capital:		
Inventories	1 157 892	(822 863)
Receivables from exchange transactions	(54 464 197)	(25 740 631)
Receivables from non-exchange transactions	(3 403 522)	(4 863 846)
Payables from exchange transactions	-	81 661 790
VAT	(5 092 309)	31 421 459
Taxes and transfers payable (non-exchange)	53 084 073	-
Unspent conditional grants and receipts	(16 004 382)	(9 930 614)
Consumer deposits	(18 813 884)	-
	146 316 163	270 039 111

38. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

38. Financial instruments disclosure (continued)

	At amortised cost	Total
Cash and cash equivalents	41 292 809	41 292 809
Receivables from exchange transactions	40 925 825	40 925 825
Receivables from non-exchange transactions	14 968 074	14 968 074
	97 186 708	97 186 708

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	145 655 914	145 655 914

2018

Financial assets

	At amortised cost	Total
Cash and cash equivalents	13 886 830	13 886 830
Receivables from exchange transactions	1 676 744	1 676 744
Receivables from non-exchange transactions	15 474 163	15 474 163
	31 037 737	31 037 737

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	98 235 885	98 235 885

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
39. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Approved and contracted for	40 631 282	86 508 283
Total capital commitments		
Already contracted for but not provided for	40 631 282	86 508 283
Authorised operational expenditure		
Already contracted for but not provided for		
• Approved and contracted for	82 748 276	79 961 971
Total operational commitments		
Already contracted for but not provided for	82 748 276	79 961 971
Total commitments		
Total commitments		
Authorised capital expenditure	40 631 282	86 508 283
Authorised operational expenditure	82 748 276	79 961 971
	123 379 558	166 470 254

This committed expenditure relates to property and will be financed by available bank facilities, accumulated surpluses, existing cash resources and funds internally generated.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	46 553	40 161
- in second to fifth year inclusive	46 168	-
	92 721	40 161

Certain of the municipality's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields of -% on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

40. Contingencies

The table below sets out the contingent liabilities at year end with the maximum potential liability to the municipality:

Contingent liability

CHACHAOKA MANAGEMENT PROJECT- Civil Matter(Against) - Matter still pending in Court	6 450 000	6 450 000
SEPOLWANE & OTHERS- Civil matter (Against) - Matter still pending in Court	300 000	300 000
BATHINI SECURITY SERVICES- Civil Matter (Against) - Matter still pending in Court	421 061	421 061
TIRMAC- Civil Matter(Against) - Matter still pending in Court	792 764	792 764
KHOZA M- Civil matter (Against) - Matter still pending in Court	10 000 000	10 000 000
Rehabilitation of landfill site, A possible obligation exists for the rehabilitation of the landfill site at Bosplass. Pending	24 802 305	24 802 305
OKOSI PROJECTS - Civil Matter (Against) - Matter still pending in Court	6 404 051	6 404 051
Thomo Mphela Projects t/a KAGO consulting engineers - Pending	8 000 000	-
	57 170 181	49 170 181

Contingent assets

Contingent asset

SIZWE AUCTIONS / MLM, Claim for damages against Sizwe Auctions, Pending at Pretoria High Court.	960 936	960 936
---	---------	---------

41. Related parties

Relationships

Accounting officer	Refer to note 28
Key management - members and remuneration	Refer to note 28
Councillors	Refer to note 28
Councillor arrear balances	Refer to note 28

42. Comparative figures

Certain comparative figures have been restated, refer to note 43 - Prior-year adjustments for the detail.

43. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

43. Prior-year adjustments (continued)

Statement of financial position

2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash and cash equivalents		18 300 762	(55 434)	(686 457)	17 558 871
Receivables from exchange transactions		31 745 151	(30 068 407)	-	1 676 744
Receivables from non-exchange transactions		21 455 782	(6 668 076)	686 457	15 474 163
Inventories		1 427 269	-	-	1 427 269
Operating lease asset		13 622	-	-	13 622
Investment property		5 717 000	-	-	5 717 000
Property, plant and equipment	1 073 342	118	21 322 749	-	1 094 664 867
Intangible assets		10 965 047	497 076	-	11 462 123
VAT payable		(6 107 864)	(1 872 927)	-	(7 980 791)
Finance lease obligation - short term		(43 569 293)	(518 261)	-	(44 087 554)
Payables from exchange transactions		(152 705 508)	5 664 007	-	(147 041 501)
Unspent conditional grants and receipt		(18 438 044)	-	-	(18 438 044)
Employee benefit obligation - short term		(109 000)	-	-	(109 000)
Bank overdraft		(3 672 041)	-	-	(3 672 041)
Provision on landfill site		-	(15 695 038)	-	(15 695 038)
Employee benefit obligation - long term		(4 748 000)	-	-	(4 748 000)
Accumulated surplus		(933 617 001)	27 394 311	-	(906 222 690)
		-	-	-	-

Statement of financial performance

2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Sales of goods and services		-	-	-	-
Sale of goods		-	-	(606 093)	(606 093)
Rendering of services		-	-	(12 036)	(12 036)
Service charges		(47 836 578)	-	-	(47 836 578)
Rental of facilities and equipment		(94 345)	-	(68 531)	(162 876)
Interest received		(17 669 104)	(173 814)	-	(17 842 918)
Operating income		(1 680 170)	-	1 500 462	(179 708)
Property rates		(45 248 696)	-	-	(45 248 696)
Government grants and subsidies		(494 697 615)	-	-	(494 697 615)
Fines		-	-	(813 803)	(813 803)
Employee related cost		105 134 963	2 314 245	1 847 063	109 296 271
Remuneration for councillors		18 810 430	-	-	18 810 430
Repairs and maintenance		32 225 144	-	(32 225 144)	-
Depreciation and amortisation		63 322 052	(10 012 285)	-	53 309 767
Impairment loss/ Reversal of impairments		106 852 344	6 629 291	-	113 481 635
Finance cost		22 403 519	-	-	22 403 519
Bulk purchases		20 643 015	551 612	-	21 194 627
Contracted services		63 973 023	421 808	78 529 778	142 924 609
Actuarial (gains)/losses		1 020 000	-	-	1 020 000
Loss on non-current assets held for sale or disposal groups		1 518 799	842 439	-	2 361 238
Operating expenses		103 271 868	608 847	(48 923 198)	54 957 517
Consumables		-	-	771 502	771 502
Surplus for the year		(68 051 351)	1 182 143	-	(66 869 208)

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

43. Prior-year adjustments (continued)

Cash flow statement

2018

	Note	As previously reported	Restated
Cash flows from operating activities			
Sale of goods and services		34 834 577	37 352 235
Grants		484 767 001	459 026 370
Interest income		17 669 104	17 669 104
Employee costs		(123 023 121)	(127 632 700)
Suppliers		(175 193 313)	(144 920 646)
Finance costs		(4 520 730)	(17 708 976)
Taxation		1	45 097 340
Other receipts		1	1 156 385
		234 533 520	270 039 112
Cash flows from investing activities			
Purchase of property, plant and equipment		(145 013 104)	(139 567 115)
Proceeds from sale of property, plant and equipment		(55 835)	(3 826 950)
Purchase of intangible assets		1	(745 614)
Movement in investments		1	(51 057 065)
		(145 068 937)	(195 196 744)
Cash flows from financing activities			
Repayment of other financial liability		(72 800 000)	(72 800 000)
Finance lease payments		(66 333 257)	(52 452 937)
		(139 133 257)	(125 252 937)

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

43. Prior-year adjustments (continued)

Detail of prior year errors

All reclassifications noted above are due to adjustments made to comply with mSCOA.

The following prior period errors adjustments occurred .

Leave provision

Accumulated surplus (opening balance adjustment)	-	(4 220 737)
Leave provision	-	4 220 737
	-	-

Section 28 of NEMA (National Environmental Management Act) requires every person who causes, has caused or may cause significant pollution or degradation of the environment to take reasonable measures to prevent such pollution or degradation from occurring, continuing or recurring. Moretele had a dumping site in Mmotla however no provision had been made for the rehabilitation of that site. An adjustment has been made to account for the provision.

Leave provision

Employee costs	-	2 301 779
Leave provision	-	(2 301 779)
	-	-

The adjustment was due to the leave provision being incorrectly calculated in the previous periods. The calculations have now been aligned with the policy

Petty cash

Salary suspense control account	-	23 668
Petty cash	-	(23 668)
	-	-

Refunds for the petty cash not utilized were not updated in the petty cash register. The adjustment done is to record the refund received by Moretele.

Petty cash

Salary suspense control account	-	31 766
Petty cash	-	(31 766)
	-	-

Refunds for the petty cash not utilized were not updated in the petty cash register. The adjustment done is to record the refund received by Moretele.

VAT

General Expenses	-	2 561 781
VAT input	-	(1 872 927)
Lease liability	-	(688 854)
	-	-

Reclassification of expenses incorrectly recorded in the VAT control account.

Debtors impairment

Debt impairment	-	30 432 906
Provision for debt impairment	-	(30 432 906)
	-	-

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

43. Prior-year adjustments (continued)

The debt impairment was not calculated in accordance with GRAP 104. The policy was aligned to GRAP 104 leading to the prior year adjustment.

Provision of landfill site

Provision for Landfill Site Expenditure	-	15 695 038
Provision for Landfill site :Non current Liabiliti	-	(15 695 038)
	-	-

Section 28 of NEMA (National Environmental Management Act) requires every person who causes, has caused or may cause significant pollution or degradation of the environment to take reasonable measures to prevent such pollution or degradation from occurring, continuing or recurring. Moretele had a dumping site in Mmotla however no provision had been made for the rehabilitation of that site. An adjustment has been made to account for the provision.

Debtors impairment

Debt impairment	-	6 303 577
Provision for debt impairment	-	(6 303 577)
	-	-

The debt impairment was not calculated in accordance with GRAP 104. The policy was aligned to GRAP 104 leading to the prior year adjustment.

Property, plant and equipment

Depreciation Account	-	(25 381 609)
Intangible Assets	-	497 076
Interest Account	-	(173 814)
Property, plant and equipment	-	21 322 751
General expenditure	-	(745 614)
Finance Lease	-	173 814
Contracted expense	-	842 439
Financial performance line item	-	23 798
Payable and Accruals	-	3 686 392
Other expenditure	-	(245 233)
	-	-

The following are the reasons for prior year misstatements:

Movables Assets

In the Prior Year the Disposal of Movables Assets was not remove from the Asset Register or correctly account for in the Financials.

Buildings

During the annual verification it was identified that the Lebotlwane Library was not in the Asset Register. We correct the Register by restate the Prior Year.

Infrastructure

We correct the the Prior Year Audit finding regarding the Verification of Infrastructure.

During the current financial year, information about completion dates of capital projects became available that indicate that projects should have been Transferred out of WIP in the prior year.

Capital Work in Progress

During the current financial year, invoices became available that should have been capitalised in the prior year.

Other improvements

Through a purification process, improvements in recorded keeping and recording resulted in more accurate presentation of the financial state of the municipality.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

43. Prior-year adjustments (continued)

Commitments

Capital commitments	-	160 630 452
Correction of error	-	(72 122 169)
	-	88 508 283

Operating commitments	-	80 534 828
Correction of error	-	(572 857)
	-	79 961 971

Commitments adjustments for 2017/18

Irregular expenditure

Balance as previously stated	-	906 046 225
Correction of error	-	123 863 508
	-	1 029 909 733

Adjustment to the opening balance is due to the revisitation of the 2017/2018 general ledger to identify additional Irregular expenditure with focus on amounts from R2,001 to R10,000, R10,001 to R30,000, R30,001 to R200,000 and R200,001 above.

44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cashflow requirements are met.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

44. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

44. Risk management (continued)

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy. The municipality uses its own trading record to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Investments/Bank, Cash and Cash Equivalents

Refer to <http://www.fidfund.co.za/banking-options/bank-credit-ratings/> for the most updated ratings.

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an international accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded in spread amongst different types of approved investments and institutions, in accordance with its investment policy. In spite of the measures applied to mitigate investment risks the municipality has been significantly exposed for the 2017/18 financial year after investing in a mutual bank. The municipality has reviewed its investment policy in the aim of improving its internal controls.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding 12 months are made.

Trade and other receivables

Trade and other receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water services rendered to them.

Trade receivables consist of a large number of customers. Periodic credit evaluation is performed on the financial condition of accounts receivable. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts becomes in arrears, it is endeavoured to collect such accounts by "demand for payment" "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. At this stage, the municipality only partially implement its credit control policy as there is no hand over of debtors.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

44. Risk management (continued)

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Receivables from exchange transaction	40 925 825	1 676 744
Receivables from non-exchange transactions	14 968 074	15 474 163
Cash and cash equivalents	40 541 440	13 886 830

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with the financial instruments will fluctuate in amount as a result of market interest charges.

Financial assets and liabilities that are sensitive to interest risk are cash and cash equivalent, investments, and loan payables. The municipality will exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rate.

Potential concentration of interest rate risk consists mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

The municipality diversifies its money market investment operations by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding 12 months are made In the 2017/18 financial year the municipality had invested with a bank registered under the mutual bank act, which is contrary to investment regulation of 2005.

Receivables comprise a widespread customer base. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts becomes in arrears, it is endeavoured to collect such accounts by "demand for payment" "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. At this stage, the municipality only partially implement its credit control policy as there is no hand over of debtors

Long-term receivables and other debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting where applicable. Debtors write off has been approved by council for write off in the 2018/19 financial year.

The municipality is not exposed to interest rate risk arising from equity investments as the municipality does not trade these investments.

Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not these investments.

45. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Municipality's operations are substantially budget-funded by government and at the time of concluding the financial statements, the government had not announced any intention to cease funding the Municipality. .

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

46. Events after the reporting date

Thomo Mphela Projects t/a KAGO consultanting engineers

On the 13 August 2019 the municipality was issued notice in terms of section 3 of the institution of legal proceedings by Thomo Mphela Projects t/a KAGO consulting engineers for a claim of services rendered and not paid for.

The estimated financial effect is a payment of R8 000 000.

47. Unauthorised expenditure

Opening balance as previously reported	441 958 339	309 878 891
Opening balance as restated	441 958 339	309 878 891
Add: Unauthorised Expenditure - current year	80 315 558	132 079 448
Closing balance	522 273 897	441 958 339

No action taken

48. Fruitless and wasteful expenditure

Opening balance as previously reported	14 195 129	6 775 949
Opening balance as restated	14 195 129	6 775 949
Add: Fruitless and wasteful expenditure - current year	68 804	7 419 180
Closing balance	14 263 933	14 195 129

Expenditure identified in the current year include those listed below:

Disciplinary steps taken/criminal proceedings

Interest charged by Eskom
SARS interest and penalties
Interest charged by Telkom
Interest charged by DBSA
Interest overcharged by a supplier (IT Towers)
Training for councillors
Cost of license over 3 years (Could not be
verified or confirm to be in use)
Interest charged on overdue account

49. Irregular expenditure

Opening balance as previously reported	906 046 224	739 974 897
Correction of prior period error	123 863 508	-
Opening balance as restated	1 029 909 732	739 974 897
Add: Irregular Expenditure incurred in current year	49 899 051	45 392 363
Add: Irregular Expenditure incurred in the prior year but identified in current year	143 051 086	120 678 965
Closing balance	1 222 859 869	906 046 225

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
49. Irregular expenditure (continued)		
Details of irregular expenditure - current year		
3 quotes not sourced	-	1 181 043
Annual Financial statement not submitted - mandatory requirement	-	516 237
Award made to supplier whose Director's Municipal account not submitted	-	
Award to supplier who have not scored the highest preference points	-	122 746 247
CIDB grading certificate not provided	-	123 176
Conflict of interest	-	11 291 329
Contract amendment without prior approval of Council - S 116. (a) of MFMA	-	24 941 297
CSD Report not within timeframe - outdated	-	43 203 901
Deliberate splitting of requirements to avoid a competitive bidding process	-	6 005 577
Deviations from the normal procurement procedures	-	475 935
Extension of contract is more than 15 % of original contract value. No approval from Council	-	3 615 630
Invalid BEE certificate / Affidavit	-	23 697 854
Late tenders and considered	-	6 488 681
Lowest quote passed over without valid reasons	-	3 577 726
No MBD 4 - Declaration of interest	-	29 500
non-tax compliant	-	2 779 983
Quotation not evaluated on evaluation criteria as specified in tender documents	-	8 776 331
Specifications not compiled	-	165 247
Transactions not advertised in public on notice board, webpage and newspapers- Quotes & Competitive bidding)	-	16 273 313
Unfair disqualification	-	23 299 033
No advert, No BEC , BAC reports and declaration of interest	-	
Consequence management not followed	-	23 958 310
Consequence management not followed	-	7 153 198

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
49. Irregular expenditure (continued)		
No CIDB and the amount on the tender document	-	163 377
Only 3 members of bid evaluation attended	-	762 418
No BAC reports	-	8 744 917
No VAT adjustment	-	(23 156 613)
	-	316 813 647
Details of irregular expenditure - Prior year		
The contracts do not have the start and end date or duration of the contract, The contracts are not signed by both parties, i.e. the municipality and supplier, The bid documents of unsuccessful bidders were not submitted	Disciplinary steps taken/criminal proceedings	Amount
The Municipal Supply Chain Management Regulation (MSCM) of 2005 paragraph 44 (c) states that "the supply chain management policy of a municipality must, irrespective of the procurement process followed, state that the municipality may not make any award to any person who is an advisor or consultant contracted with the municipality or municipal entity" The main shareholder and active director of Mosire Tsiane Attorneys is also a director of Alumini Trading 212 (Pty) Ltd and He's a Legal consultant of the Municipality through Mosire Tsiane Attorneys. This is thus contravening the MSCM regulation	Consequence management not followed	757 650
The bid documents of unsuccessful bidders were not submitted, Not advertised, Bid specifications not drafted	Consequence management not followed	1 254 167
The bid documents of unsuccessful bidders were not submitted, Limitation of scope, Non monitoring of the contract on a monthly basis	Consequence management not followed	6 812 279
The bid documents of unsuccessful bidders were not submitted, Limitation of scope, Non monitoring of the contract on a monthly basis	Consequence management not followed	1 311 921
The patterns of purchase of the following goods and services indicated that orders were split to avoid following prescribed procurement processes	Consequence management not followed	27 380 111
The provider with the lowest price was not selected and it was not because of the predetermined criteria	Consequence management not followed	2 228 500
	Consequence management not followed	594 565

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
49. Irregular expenditure (continued)		
Training quotation awarded to non-accredited training institution	Consequence management not followed	393 000
CIDB Grading below the required grade	Consequence management not followed	195 500
Non-Tax complainant	Consequence management not followed	11 115 343
No contract value on the contract or estimate total value of the contract.	Consequence management not followed	58 887 622
Not advertised	Consequence management not followed	804 405
Declaration of interest not completed	Consequence management not followed	4 464 671
BBB-EE Certificate not certified and points were awarded with accordance to the level. Tender opening register not available	Consequence management not followed	2 184 429
1. Advertisement published for less than 30 days which is in contravention of SCM reg. 22(1)(b)(i). The bid specification meeting was held on 12 August 2014, the advert was then issued on 19 August 2014 and closing on 1 September 2014 which means tender was advertised for 14 days however it exceeds 10million and therefore should have been advertised for 30 days.2. The evaluation criteria also only indicates the weighting and no point values which is in contravention section 217 of the constitution and section 112(1) of the MFMA as the evaluation process may have been unfair.	Consequence management not followed	12 569 684
1. Advertisement was issued on 19 August 2015 and closing date as 01 September 2014 which means tender was advertised for 14 days . Considering contract amount the tender should have been advertised for 30 days and therefore in contravention of SCM reg. 22(1)(b)(i) .	Consequence management not followed	23 680 871
Signatures and declaration of interest	Consequence management not followed	7 624 638
BBB-EE certificate not certified and points were awarded with accordance to the level.	Consequence management not followed	2 461 910

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
49. Irregular expenditure (continued)		
Only 3 members of the bid evaluation committee attended.		561 265
Only 3 members of the bid evaluation and adjudication committee attended. Tender advertised for less than 30 days (16 days)		381 876
1. Only 3 Bid adjudication personnel signed the Undertaking of Confidentiality and Impartiality documentation.		406 922
		166 071 329

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	17 500	7 000
Amount paid - current year	(17 500)	(7 000)
	-	-

Audit fees

Current year subscription / fee	3 125 067	3 363 491
Amount paid - current year	(3 125 067)	(3 363 491)
	-	-

PAYE and UIF

Current year subscription / fee	21 347 335	23 396 913
Amount paid - current year	(21 347 335)	(23 396 913)
	-	-

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and medical aid deductions		
Current year subscription / fee	8 499 691	25 145 106
Amount paid - current year	(8 499 691)	(25 145 106)
	-	-

VAT

VAT payable	2 888 482	7 980 791
-------------	-----------	-----------

VAT output payables and VAT input receivables are shown in note 14.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days	Outstanding more than 90 days	Total
Modiba GM	200	779	979
Mbekwa DBS	198	153	351
Mahlangu PP	212	-	212
Moatshe MC	199	4	203
Motsepe MR	199	4	203
Sono D	199	4	203
Sekhaolela TL	199	4	203
Baloyi BW	199	4	203
Mokadi LK	199	4	203
Letlhabi PS	199	4	203
Mahlangu ET	199	4	203
Maluleka K	199	4	203
Ntseke WM	199	4	203
Letebele LM	199	4	203
Sephelle BD	199	4	203
Ramadi MA	199	4	203
Mokgara SI	199	4	203
Makhathulela GM	199	4	203
Mathatho S	199	3	202
Kutumela SA	198	2	200
	3 992	997	4 989

30 June 2018	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr SI Moekeletsi	978	-	978

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

51. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next Council meeting and includes a note to the annual financial statements.

The reasons for deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviations from the normal supply chain management regulations.

Incident

Emergency	-	756 154
Sole supplier	-	1 000 835
Impractical or impossible	-	61 689
	-	1 818 678

52. Budget differences

Material differences between budget and actual amounts

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

52. Budget differences (continued)

It is general practise to deem a 10% deviation on operational revenue and expenditure versus the final budget as material.

Service charges - Billing accruing from re-demarcated area where services charges have been effected and have increased the income

Rendering of services - Reclassification from mscoa, there was no specified line item but relate to sundry services

Rental of facilities - Over collection of rental income from municipality tenants (GCIS)

Sale of goods - Overcollection from sale of tenders/ approval of building plans, these type of income can not be predetermined as it is demand based.

Operational income - Insurance payout following the torching of the municipality building in September 2018.

Interest received from investments - The line item was overbudget investment made during the year where less than what was initially project during buget period.

Government grants - Funds relating to munipality infrastructure grants being a conditional grant were withheld from municipality and deducted against equitable share.

Public contribution - A community hall was constructed and transfered to municipality by provincial department of local government.

Penalties and fines - The municipality implement the prov of the MFMA resulting in increase persive collection of eNatis collections

Employee cost - As part of fin recovery plan the muni staggered the filling of none essential resulting the a saving on this costs.

Depreciation and Amortisation - Expected more asset to be capitalised from WIP. The depre projected factored in new asset from 2017/18 finanail year which also included sanitation procted which are expenses and not provided for in depreciation

Finance Cost - Misallocation between interest income and finance cost

Bulk purchases - The supplier of bulk water has increase supply to municipality against preexisiting agreement. The account is current under disput. The expenditure is unavoidable due to it attached to the basic right enshrined in the constitution.

Repairs and maintance, general expenditure, contracted expenditure, other expenditure and other material - The mSCOA compliant bugdet was prepaped on the older version of the system during the year. Municipality authorised further software updated in line with national treasury requirement. This has resulted in the movement, bundling and unbundle of varios expenditure type amoungs the five mention expenditure. The overall budget allocation for the items remains with the approved muni budget

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

* See Note

Appendix I

Audit Action Plan

2018/19 audit process has been conducted and completed. The municipality has received a qualified opinion for the 2018/2019 financial year.

The audit action has been developed to address the issues raised by the Auditor General.

FINANCIAL YEAR	2018/19
Audit Opinion	Qualified
Reporting Period	30 June 2019

Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	Recommendations	Action Plan Description
Predetermined Objectives	Matters affecting the auditor's report	The annual performance report submitted by management did not contain the prior year (2017/18) Target and actual performance on the annual performance report. This prohibited management from comparing the	Recurring	Lack of review	<ul style="list-style-type: none">• Ensure sufficient review processes are implemented over the APR.	Management to allocate sufficient time for the compilation of the annual report. The review will be conducted by management and Internal audit

		actual performance to planned targets and prior year performance in the APR. This is in contravention of section 46(b) of the Municipal Systems Act				
Predetermined Objectives	Matters affecting the auditor's report	The annual performance report submitted by management did not include any corrective measures or measures to improve performance. This is in contravention of section 46(c) of the Municipal Systems Act.		Lack of review	<ul style="list-style-type: none"> • Management should implement controls to maintain a proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting. 	Management to allocate sufficient time for the compilation of the annual report. The review will be conducted by management and Internal audit
Predetermined Objectives	Matters affecting the auditor's report	The portfolio of evidence for some indicators were not submitted to the auditors as requested on the 4th September 2019.		Inconsistent submission of portfolio of evidence throughout the financial year	<ul style="list-style-type: none"> • Management should ensure that information is filed properly, that it is retrievable and can be readily available for submission to the 	During the review process for quarterly performance reports, midterm performance and annual performance report, management will ensure that actual performance

					auditors upon request	reported without supporting evidence is not considered and is reported as non-performance.
Predetermined Objectives	Matters affecting the auditor's report	The were discrepancies identified between the Annual Performance Report (APR) and the Service Delivery Budget Implementation Plan (SDBIP)		Lack of sufficient training on performance management	<ul style="list-style-type: none"> • Sufficient and appropriate training is implemented to ensure the requirement of the applicable legislation is adhered to 	Training on performance management will be scheduled for all managers and directors.
Predetermined Objectives	Matters affecting the auditor's report	It was noted that the reported achievement as per the annual performance report was not consistent with the planned performance indicator/annual performance target.		Lack of review and sign off by departmental heads Lack of version control	<ul style="list-style-type: none"> • Management should implement systems and processes to enable reliable reporting 	Management will develop a system for the management of performance information. The system will ensure that versions are locked and cannot be edited and furthermore that the reports are signed off by directors.
Predetermined Objectives	Matters affecting the auditor's report	The source information and/or evidence and/or method of calculation for		Lack of standard operating procedures	<ul style="list-style-type: none"> • Ensure sufficient review processes are implemented over the SDBIP and APR. 	Management will develop standard procedures to guide the development, collation, reporting

		achieving the planned indicator was not clearly defined.				and verification of performance information.
Predetermined Objectives	Matters affecting the auditor's report	The systems and processes that enable reliable reporting of achievement against the indicator were not adequately designed as the municipality lacked sufficient processes of collection of data to support accurate financial reporting.		Lack of standard operating procedures	<ul style="list-style-type: none"> • Management should implement systems and processes to enable reliable reporting 	Management will develop standard procedures to guide the development, collation, reporting and verification of performance information.
Predetermined Objectives	Matters affecting the auditor's report	Some indicators could not be verified as management has not report on them in the APR. There were no processes in place relating to sufficient collection of information and reporting of the target.		Lack of sufficient training on performance management	<ul style="list-style-type: none"> • Management should implement systems and processes to enable reliable reporting 	Training on performance management will be scheduled for all managers and directors.
Predetermined Objectives	Matters affecting the	Some planned targets for aforementioned		Lack of sufficient training on	<ul style="list-style-type: none"> • Sufficient and appropriate training is 	Training on performance management will be

	auditor's report	indicators were not specific in clearly identifying the nature and required level of performance and/or measurable and/or did not specify the period and/or deadline for delivery.		performance management	implemented to ensure the requirement of the applicable legislation is adhered to	scheduled for all managers and directors.
--	------------------	--	--	------------------------	---	---

Procurement	Matters affecting the auditor's report	Minimum number of quotations were not obtained, and reasons were documented and approved by the Municipal manager however the reasons for deviation did not correspond with the description of the goods procured.		Certain deviations are completed after the transaction has been processed as a result uncorresponding information. Late receipt of requests from user departments	<p>Management should review documented reasons for not obtaining three quotations to ensure reasons are justifiable and in line with the SCM regulations</p> <p>Management should enforce compliance with SCM regulations to ensure that three quotations are obtained.</p> <p>Management should investigate the non-compliance and determine whether there could be other similar instances that should be recorded as irregular expenditure.</p>	Implementation of procurement plan - including two weeks receipts of requests from departments Determine the timing of requests and put in cut-off times. Send a communication to user-departments advising of cut-off times
-------------	--	--	--	---	--	--

Procurement	Matters affecting the auditor's report	Reasons for not obtaining three quotations not documented and approved.		Late receipt of requests from user departments	<p>Management should enforce compliance with SCM regulations to ensure that three quotations are obtained.</p> <p>Management should investigate the non-compliance and determine whether there could be other similar instances that should be recorded as irregular expenditure.</p>	Appointment of a panel for frequently used services / service provider including printing and stationery, accommodation and toners.
-------------	--	---	--	--	---	---

Procurement	Matters affecting the auditor's report	Quotations above R30 000 not evaluated in accordance with the preference point system		The finding relates to sole service providers where reasons for deviation were not documented - this relates to municipal vehicles being repaired or services by unauthorised service providers.	<p>Management should enforce compliance with SCM regulations to ensure that quotations above R30 000 are evaluated in terms of PPR 2017 and quotations are awarded to the supplier scoring the highest points.</p> <p>Management should investigate the non-compliance and determine whether there could be other similar instances that should be recorded as irregular expenditure</p>	Issue a communication to restrict any servicing of cars by unauthorised service providers. SCM to communicate directly with dealerships concerning servicing and repairs of municipal vehicles. Document reasons for deviation as sole service provider
-------------	--	---	--	--	--	---

Procurement	Matters affecting the auditor's report	Contract amount of the supplier appointed through regulation 32 is higher than the contract amount of the other organ of state		Lack of guideline from National Treasury regarding the use of Regulation 32,	Management should enforce compliance with regulation 32 to ensure that the contract price is not higher than the original contract prices of the other organ or state.	Adhere to the REG 32 circular provided . Use the guideline to determine of future impact of use of regulation 32 Municipality to refrain from the use of regulation 32 unless it is necessary, once procured the adjudication committee will recommend the appointment.
Procurement	Matters affecting the auditor's report	Expansion of a contract more than the 15% threshold		Lack of guideline from National Treasury regarding the use of Regulation 32,	<p>Management should enforce compliance with laws and regulation to ensure that contracts are not varied by more than the 15% threshold.</p> <p>Management should investigate the non-compliance and make necessary adjustments to the disclosure</p>	Adhere to the REG 32 circular provided . Use the guideline to determine of future impact of use of regulation 32 Municipality to refrain from the use of regulation 32 unless it is necessary, once procured the adjudication committee will recommend the appointment.

					note where necessary.	
Procurement	Matters affecting the auditor's report	The municipality awarded quotations to suppliers without verifying whether the suppliers tax matters are in order.		Late receipt of requests from user departments	<p>Management should enforce compliance with SCM regulations to ensure that quotations above R15 000 are awarded to suppliers whose tax matters has been confirmed by SARS to be in order.</p> <p>Management should investigate the non-</p>	<p>Timely printing of CSD report to verify tax status prior to award of contract. Apply regulation 29 (5)b prior to making an award.</p> <p>Train bid committees on PPPF</p>

					compliance and determine whether there could be other similar instances that should be recorded as irregular expenditure.	
Procurement	Matters affecting the auditor's report	Unfair disqualification of bidders which resulted in the supplier scoring the highest points not awarded the quotation.		The financial system was unable to print proof of municipal accounts in time.	<p>Management should review supporting submitted by bidders to ensure that all bidders who submitted valid documents are evaluated further on preferential points system</p> <p>Management should investigate the non-compliance and determine whether there could be other similar instances that should be recorded as</p>	<p>Apply regulation 29 (5)b prior to making an award.</p> <p>Train bid committees on PPPF</p>

					irregular expenditure.	
--	--	--	--	--	---------------------------	--

Procurement	Matters affecting the auditor's report	The municipality incorrectly calculated the company profile score for Mavu-Ashu civil supplier.		The compliant status (CSD Report) was printed minutes apart with differences in TAX compliance status. CSD was not printed on closing date but on evaluation date.	<p>Management should implement proper controls around evaluation process to ensure that each bid received is evaluated fairly.</p> <p>Management should investigate the non-compliance and determine whether there could be other similar instances that should be recorded as irregular expenditure.</p>	<p>Apply regulation 29 (5)b prior to making an award.</p> <p>Print tax status report at closing date of bids and prior to making an award.</p>
-------------	--	---	--	--	---	--

Procurement	Matters affecting the auditor's report	The entity awarded tenders to the bidders below however the directors of the companies did not submit municipal statements as is required by SCM regulations.		Misinterpretation of the regulations section 28, 29 and 38,	Management should enforce compliance with laws and regulations to ensure that tenders are awarded to bidders who submitted confirmation that municipal rates and taxes of directors are not in arrears. Management should investigate the non-compliance and determine whether there could be other similar instances that should be recorded as irregular expenditure.	Apply regulation 29 (5)b prior to making an award. Review the SCM policy and provide clarity on the bid documents in terms of returnable. Train bid committees on PPPF
-------------	--	---	--	---	---	--

Procurement	Matters affecting the auditor's report	Contract awarded to the bidder who did not obtain minimum functionality score as per tender specification		Not properly defined evaluation criteria.	<p>Management should review supporting submitted by bidders to ensure that all bidders who submitted valid documents are evaluated and awarded points based on supporting documents</p> <p>Management should investigate the non-compliance and determine whether there could be other similar instances that should be recorded as irregular expenditure</p>	<p>Train bid committees on PPPF IA to conduct quality assurance prior to the accounting officer making an award. Evaluation committee to document reasons for awarding points which may differ from the pre-set evaluation criteria provided it is fair and consistent.</p>
-------------	--	---	--	---	---	---

Procurement	Matters affecting the auditor's report	Quotations not obtained from the appointed panel of service providers		The municipality appointed a single service provider for a panel.	SCM policy should be updated to include the processes of appointment and management of the appointed panel of service providers. Whether the awarding to panel will be done on rotational basis or quotation basis.	Train bid committees Procure in terms of the SCM guide for accounting officers.
Procurement	Matters affecting the auditor's report	The final decision to accept the quotations was not approved by delegated official.		Limited provision on the system of delegations.	Management should adequately review the payments to ensure that payments are approved by delegated officials.	Review delegations of authority to include BTO managers to sign up to R30 000 (Excluding SCM Manager and Expenditure)

Procurement	Matters affecting the auditor's report	The final decision on which quotation to accept was not made by an appropriately delegated official or committee.		Limited provision on the system of delegations.	Management should adequately review the payments to ensure that payments are approved by delegated officials.	Review delegations of authority to include BTO managers to sign up to R30 000 (Excusing SCM Manager and Expenditure)
Procurement	Matters affecting the auditor's report	The municipality disclosed the items listed below as irregular expenditure however the supporting documents provided confirmed that the awarding of the tenders was done correctly as there was no non-compliance with SCM laws and regulation that was identified.		Lack of review by a third party on recommended bidders documents prior to final award.	<p>Management should review the irregular expenditure register to ensure that the incidents reported as irregular have occurred and are valid.</p> <p>Management should investigate the error, revisit the population and make necessary adjustments to the AFS.</p>	IA to conduct quality assurance prior to the accounting officer making an award.

Procurement	Matters affecting the auditor's report	Process followed by the municipality to quantify the amount of irregular expenditure relating to prior years not adequate.		Inadequate review of the Irregular listing.	<p>Management should adequately investigate the nature and cause of prior years' noncompliance with laws and regulations which resulted in irregular expenditure to confirm that there are no other/similar transactions in the population.</p> <p>Due to the nature and extent of work to be performed in this respect, the recommended investigation should be completed with the next audit cycle</p>	Revise the IUFW Standard operating procedure to include accruals, retention and payments, and exclude VAT.
-------------	--	--	--	---	--	--

Procurement	Matters affecting the auditor's report	Irregular expenditure written off not in line with Municipal Budget and Reporting Regulations.		Lack of guidance on the write-off procedure.	Accounting officer should investigate each incident which resulted in irregular expenditure to ensure that proper consequence management are implemented and where the amount is certified as unrecoverable, there is evidence supporting the decision taken.	<p>Rescind the write-off and write-back the irregular to the original amount prior to the proposed write off. Request a detailed report on the investigation per transaction analysed. Investigate each transaction in terms of amount threshold - Bids and RFQs</p> <p>Determine if the municipality has suffered any financial loss. Resubmit the write off to council detailing each transaction where possible.</p>
-------------	--	--	--	--	---	---

Bank	Matters affecting the auditor's report	Material misstatements on the cash flow statement		Lack of review and time constraints	Management should review the cash flow statement to ensure that the correct cash flow amounts are included.	Perform monthly bank recons. Update cashbook timeously.
Liabilities	Matters affecting the auditor's report	Creditors reconciliation not prepared for trade		Still learning the system. The system can produce		Perform creditors recons monthly and follow up on outstanding invoices.

		creditors as at 30 June 2019		creditors reconciliations however the team was not yet fully trained on the system.	<p>Management should</p> <ul style="list-style-type: none"> • Review draft policy on payables to ensure that it is aligned to the current creditor's management processes. The policy should be submitted to the appropriate governance structures for approval. • Creditors reconciliations must be prepared on a monthly basis. • Management is requested to provide creditors statements as alternative evidence to confirm that the amounts outstanding at 30 June 2019 are correct. 	
--	--	------------------------------	--	---	---	--

Liabilities	Matters affecting the auditor's report	7.2. Expenditure transactions not accrued for as at 30 June 2019		The accrued expenditure cut-off was done too early.		Perform creditors recons monthly and follow up on outstanding invoices. In addition, Cut-off the recording of accrued expenditure last week of August.
					<p>Management should approve and implement an accounts payable policy and procedure manual.</p> <p>Management may however provide evidence that these transactions have actually been recorded and are included in expenses and accrued payables at 30 June 2019.</p>	

Immovable Assets	Matters affecting the auditor's report	During the physical verification testing, it was noted the following work-in-progress has physical indicators of impairment (for example broken windows and fence, fallen roof, signs of abandonment). The WIP was vandalized by the community. Furthermore, the costs to date for the projects listed below have exceeded the contracted amount. We have not been provided with the plan on how the projects will be completed and these projects are not included in the SDBIP for the current period thus we cannot determine whether there is an intention to resume construction in the near future as		Management did not adequately follow the GRAP 21 prescripts where projects under WIP have exceeded a certain period.		Revisit the commitments register Revisit the requirements of GRAP 21 - and determine the correct status of each project. Re-prioritise projects and determine if they will be completed in the current financial year, if not capitalize the projects and impair them.
					Management should also perform the physical verifications and impairment assessment of the WIP in order to identify indicators of impairment Management should assess the work-in-progress for impairment as at year-end and	

		required by paragraph 27 of GRAP 21			make the appropriate adjustments to the financial statements.	
Payments	Other important matters	Payments for expenditure not made within 30 days of date of invoice		Lack of a centralised location for receiving invoices. Lack of a monitoring system to track invoices.	<p>Management should ensure that:</p> <ul style="list-style-type: none"> • They maintain a creditors age analysis to identify creditor's that have not been paid and pay as soon as possible. • Departmental heads should consistently sign and include the date when the invoice was received from the supplier prior to sending the invoice for payment at the expenditure unit. 	Establish SCM as the central place for receiving of invoices. Cashflow forecasts and the procurement plan will be utilised going forward in order to better manage the funds.

Human Resources	Other important matters	No performance assessment done for all senior management		Lack of institutional stability -office of the accounting officer Lack of performance assessment system	The management should implement the approved policy and ensure that the performance assessments are done as required by policy.	Ensure that performance agreements are signed and aligned to the SDBIP. Resource (financial and human) allocation for the procurement of a performance assessment system and training of officials. Matter is outside the jurisdiction of the municipality. Merge the declaration of interest forms with the attendance register to ensure that both activities are completed. Management to develop a policy on succession planning. Management to develop a template to notify timeously of any actings ending - indicating continuity due to operational reasons or termination.
-----------------	-------------------------	--	--	--	---	--

--	--	--	--	--	--	--

Human Resources	Other important matters	Performance agreements not signed by all levels lower than senior management		Lack of consensus from the bargaining councils on application of performance agreements on levels lower than senior management.	Develop a performance management policy in consultation with the trade unions and recommend to council for approval and subsequent implementation.	Matter is outside the jurisdiction of the municipality.
Procurement	Matters affecting the auditor's report	Prior year irregular, fruitless and wasteful and not investigated.		Lack of capacity to investigate all years of irregular expenditure at once and time constraints.	Accounting officer should take effective steps to ensure that all reported incident of IFWE are investigated and where possible, the money is recovered from any person found liable.	All irregular expenditure for prior years is in the process of being investigated by the FDB. Once the results have been concluded, the report will be forwarded to council for further action.

Bank	Other important matters	20.2. Internal control weaknesses relating to bank and cash		System teething problems. Reconciliations could not be performed until all the system issues had been resolved.	<p>Management should:</p> <ul style="list-style-type: none"> • Review its banking and investment policy to ensure that is updated to be in line with current operational activities in the municipality, which would enable and support the understanding and execution of internal control objectives, processes and responsibilities with regards to the management of cash. The policy should include the guidance on bank reconciliations. Bank reconciliations should be prepared on monthly basis and reviewed by Delegated Official 	The standard Operating procedures for the Bank and Cash will be revised to address all the weaknesses identified. These procedures will include the system controls as well. The employees will in turn be trained on how to execute those procedures.
------	-------------------------	---	--	---	---	--

Liabilities	Other important matters	No approved policy and standard operating procedures on account payables		Lack of guidance	It is recommended that management prioritises the development and approval of creditors management policy to provide guidance for the governance of account payables.	The accounts payables policy will be developed and tabled before council together with the adjustment budget.
Liabilities	Other important matters	Municipality does not maintain creditors age analysis		System take-on challenges. The system can produce creditors reconciliations however the team was not yet fully trained on the system.	It is recommended that management prioritises the development and approval of creditors management policy to provide guidance for the governance of account payables.	The system has been configured in such a way that it is able to produce the creditors age analysis. The service provider will be requested to provide training on how to extract the reports and how to ensure the information need for the extraction of the report have been populated. Extraction of monthly creditors age analysis. Request all contracted services to provide statement of account monthly

						together with the invoice.
Liabilities	Other important matters	Creditor's reconciliation not reviewed by senior official		Creditors reconciliations not done on a monthly basis.	It is recommended that management prioritises the development and approval of the creditors management policy to provide guidance for the management of creditors.	The Expenditure Manager will review all the creditors reconciliations going forward Determine the major creditors and provide a reconciliation for those (Eskom, City of Tshwane, Magalies)

Liabilities	Other important matters	Schedules for accrued leave and accrued bonuses were not reviewed by a senior official.		Lack of coordination between the salaries unit and expenditure unit.	Management should ensure that there is an official assigned to review the leave accrual and bonus accrual calculations	The Expenditure Manager will review all the accrued leave and bonuses going forward
Human Resources	Other important matters	No declaration of interest from members of the interview panel		Declarations of interests forms not printed during interviews process.	The recruitment division should develop a checklist to ensure that all necessary processes are followed.	Merge the declaration of interest forms with the attendance register to ensure that both activities are completed.
Human Resources	Other important matters	No succession plan		Lack of policy on succession planning	The municipality should have documented and approved internal policies and procedures to address the process of success planning to enable transfer of knowledge and institutional memory	Management to develop a policy on succession planning.

Human Resources	Other important matters	Personnel acting for more than six months		Lack of an early warning system to alert management of any acting exceeding 6 months.	Management should design and implement human resource compliance checklist to be used to check compliance with Collective Agreement on conditions of service for North West division of the SALGBC.	Management to develop a template to notify timeously of any actings ending - indicating continuity due to operational reasons or termination.
Information Technology	Other important matters	Deficiencies identified in the framework, strategic plans and policies relating to information technology		Lack of policy review.	The accounting officer should establish and implement an information technology governance framework that supports and enables the business, delivers value and improves performance.	Review ICT framework

Information Technology	Other important matters	Deficiencies identified in IT risk assessment and policies relating to information technology		Lack of policy review.	The accounting officer should establish and implement an information technology governance framework that supports and enables the business, delivers value and improves performance.	Review ICT policies
------------------------	-------------------------	---	--	------------------------	---	---------------------

Other Disclosures	Other Important matters	Environmental: No or limited improvement on environmental findings and impacts reported during the 2017/18 environmental focus audits (and prior).		No official appointed to handle environmental matters No waste management by-laws	(1) Moretele Local Municipality should ensure that they maintain and continually improve on their overall environmental management practices (with adequate resources to develop, implement and monitor of policies, plans and strategies relating); (2) Although illegal waste dumping management and clearing substantially improved compared to prior audit visits, should it be a continual process (that includes all residing communities and stakeholders); (3) The	Appoint an official to be responsible for environmental matter Adopt an integrated waste management plan. Facilitate the approved of the waste by-laws
-------------------	-------------------------	--	--	--	--	---

					<p>municipality should continually pursue the license application and urgently address the serious discrepancies and concerns at the Gamotla Waste Landfill Site. The site should be managed and operated in compliance with waste legislation and related requirements (and to limit pollution or impacts to the receiving environment);</p> <p>(4) The maintenance- and repair needs at the Swartdam Wastewater Treatment Works needs to be addressed to ascertain safe operations- and disposal activities.</p>	
--	--	--	--	--	--	--

Information relating to timelines, allocated personnel and progress may be obtained from the municipality.

